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SAN FRANCISCO PORT COMMISSION

Doreen Woo Ho, President
Kimberly Brandon, Vice President
Willie Adams, Commissioner
Leslie Katz, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

AGENDA

TUESDAY, FEBRUARY 12, 2013
2:00 P.M. CLOSED SESSION
3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO CA 94111

PLEASE NOTE THE DATE & TIME OF THE MEETING

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

02-08-13P02:58 RCVD

GOVERNMENT DOCUMENTS DEPT

FEB - 8 2013

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1. **CALL TO ORDER / ROLL CALL**

2. **APPROVAL OF MINUTES** – January 24, 2013

3. **PUBLIC COMMENT ON EXECUTIVE SESSION**

4. **EXECUTIVE SESSION**

   A. Vote on whether to hold closed session.

      (1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING AND ANTICIPATED LITIGATION MATTERS. (Discussion and Action)

         a. Discuss existing litigation matters pursuant to California Government Code Section 54956.9(a) and San Francisco Administrative Code Section 67.10(d):

- City and County of San Francisco, acting by and through the San Francisco Port Commission vs. Curtis Lind, Chaleur LLC, Paul Charlton, and Christopher Willson; and related-cross actions; Superior Court of California, County of San Francisco (Case No. CGC-12-518382; filed February 12, 2012)

- Discussion and approval of proposed settlement of litigation with defendant and cross-complainant Christopher Willson, alleging trespass, nuisance on Port property. The terms of the proposed settlement of litigation between City and County of San Francisco and defendant and cross-complainant includes the removal and towing of the vessel known as M/V Aurora from Port property, the Port's reimbursement of towing expenses not exceeding $47,584, and a mutual and full release of claims, and dismissal of the complaint and cross-complaint as between the parties.

b. Discuss anticipated litigation matter pursuant to California Government Code Section 54956.9(b)(3)(B) and San Francisco Administrative Code Section 67.10(d):

X As Defendant ___ As Plaintiff

- Facts and circumstances: The Port entered into an Exclusive Negotiation Agreement with Seawall Lot 337 Associates, LLC ("Developer"), effective September 15, 2010. The Port Commission has been advised that one of the two members comprising Developer has withdrawn from the limited liability company. A law firm representing an unknown party asserts that the Port's failure to reissue a request for qualifications and a request for proposals for a developer for SWL 337 is a violation of local ordinances and applicable case law.

(2) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. ***This session is closed to any non-City/Port representative:***

a. Property: AB 8719, Lot 002, also known as Seawall Lot 337, AB 9900, Lot 62, also known as China Basin Park, and AB 9900, Lot 048 and AB 9900, Lot 048H, also known as Pier 48 (all bounded generally by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street)
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development
*Negotiating Parties: Jack Bair, SWL 337 Associates, LLC

Under Negotiations: ____Price ____Terms of Payment X Both
Pursuant to Resolution No. 10-32, the Port Commission awarded to the non-Port party an exclusive negotiation agreement with the Port for the

lease and development of the property. In this executive session, the Port's negotiator seeks direction from the Port Commission on rent structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the lease and development of the property. The executive session will enable the Port Commission to develop a negotiating strategy tailored to maximize the City's return based on these factors. In particular, the executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

5. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67-12.

B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. EXECUTIVE

A. Executive Director's Report

- Fishermen's and Seamen's Memorial Chapel Open to the Public – January 11, 2013
- Jacky Douglas, skipper of salmon boat Wacky Jacky, inducted to the International Sportsmen's Exposition at Sacramento's Cal Expo – January 12, 2013

- Brannan Street Wharf Lane Closures – Complete closure northbound 8 p.m. February 8, 2013 to 8 a.m. February 9, 2013; One lane closure northbound 7 a.m. February 11, 2013 to 7 a.m. March 4, 2013
- Pier 27 Cruise Terminal Ribbon Cutting – February 26, 2013 at 11:30 a.m.

B. Informational presentation regarding the Port's 150th Anniversary Celebration (April 24, 2013) and Maritime Day at the Port (April 28, 2013).

9. CONSENT

A. Request approval of travel for a member of the San Francisco Port Commission to Shanghai and Beijing, China to attend the Breakbulk China 2013 Conference and make marketing visits to Port shipping Customers with members of Port staff. (Resolution No. 13-02)

10. REAL ESTATE

A. Informational presentation on Real Estate and Maritime Revenues for the First Quarter of Fiscal Year 2012-13.

11. ENGINEERING

A. Informational presentation on the Port's Load Restricted (Yellow with Green Hatching-Tagged) and Fully Restricted (Red-Tagged) Facilities.

12. FINANCE & ADMINISTRATION

A. Informational presentation on the Port's supplemental appropriation to the Fiscal Year 2013-14 Operating and Capital Budget.

B. Informational presentation on the Port's 10-Year Capital Plan, FY 2014-2023

13. NEW BUSINESS

14. PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

15. ADJOURNMENT

FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)

FEBRUARY 26, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Financial Plan	Informational	Present the Port's Five-Year Financial Plan for Fiscal Years 2013-14 through 2017-18
2	SWL 337	Informational	Present the Term Sheet between the Port and Seawall Lot 337 Associates, LLC for the mixed-use development of Seawall Lot 337 and Pier 48 bounded by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay and adjacent to AT&T Park
3	Operating Budget	Action	Request approval of the Port's supplemental appropriation to the Biennial Operating Budget and Capital Budget for Fiscal Year2 2012-13 and 2013-14
4	Capital Plan	Action	Request approval of the Port's 10-Year Capital Plan, FY 2014-2023
5	Contracting Report	Action	Accept the Port's Quarterly Report on Contracting Activities for Fiscal Year 2012-13 (October 1, 2012 through December 31, 2012)
6	Pier 9	Action	Request approval of the First Amendment to Cabouchon Properties, LLC, Lease No. L-15202, for premises located at Pier 9 on The Embarcadero at the foot of Broadway
7	Pier 50	Action	Request approval of a seventy-one (71) day Contract Time Extension for Port Contract No. 2757, Pier 50 Valley Substructure Repair Project, to West Bay Builders Inc., to complete additional project work scope specified by the Port
8	Southern Waterfront	Action	Request authorization to advertise for Competitive Bids for Construction Contract No. 2761, Blue Greenway Signage

MARCH 12, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Pier 90	Action	Request authorization to execute a contract with Laura Haddad and Tom Drugan for Public Art to be installed on the Pier 92 Grain Silos, located on Amador Street and Islais Creek
2	SWL 337	Action	Request approval of the Term Sheet between the Port and Seawall Lot 337 Associates, LLC for the mixed-use development of Seawall Lot 337 and Pier 48 bounded by China Basin

			Channel, Third Street, Mission Rock Street, and San Francisco Bay and adjacent to AT&T Park

MARCH 26, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Pier 9	Action	Request approval of Second Amendment to Lease No. L-14282 with the San Francisco Bar Pilots Benevolent and Protective Association retroactively amending the rental schedule of the lease for space located at Pier 9 on The Embarcadero at the foot of Vallejo Street
2	Pier 9	Action	Request approval of Lease No. L-14935 with Hornblower Yachts, Inc., a California corporation, for a five-year lease with one five-year extension, for premises located at Pier 9 South, on The Embarcadero at the foot of Vallejo Street

APRIL 9, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Pier 96	Informational	Present the commercial maritime activities of San Francisco Bay Rail located at 100 Cargo Way @ Pier 96 Railyard

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Pier 22½	Informational	Present the San Francisco Fire Department Earthquake Safety and Emergency Bond Improvement at Pier 22½
2	Pier 70 Waterfront Site (Forest City)	Informational	Present Forest City's term sheet for the Pier 70 Waterfront Site
3	South Beach	Action	Request for Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the South Beach Harbor Program.
4	Portwide	Action	Request approval to enter into agreements with the San Francisco Municipal Transportation Agency and the regional bike share program operator to use Port property for the Bay Area Regional Bike Share Pilot Program
5	SWL 351	Action	Request approval of resolution recommending that the Board of Supervisors form a City and

			County Infrastructure District No. 2 and adopt the Infrastructure Financing Plan included in Appendix C which will capture tax increment from the Seawall Lot 351 project (commonly known as the 8 Washington Street project) for site open space improvements, the Cruise Terminal project, under-pier utilities and pier substructure repairs; and authorizing the Port's Executive Director to enter into a Memorandum of Understanding with the City and County of San Francisco acting through the Controller's Office to implement the District
6	Pier 70	Action	Request approval of Federal Cost Sharing Agreement between the Port of San Francisco and the U.S. Army Corps of Engineers for study of the Central Basin Dredge Project
7	295 Terry Francois	Action	Request approval of Lease No. L-15228 ("Lease") with Bo's BBQ of SF, LLC ("Bo's"), for a Retail Restaurant lease located at 295 Terry Francois Boulevard (the "Premises") for a term of 15 years with two five year extension options, subject to Board of Supervisors' approval
8	Pier 70 Waterfront Site (Forest City)	Action	Request approval of Forest City's term sheet for the Pier 70 Waterfront Site

COMMUNICATIONS TO PORT COMMISSION
From January 18 to February 7, 2013

- From Victor de la Cruz, Manatt/Phelps/Phillips, regarding Seawall Lot 337 Request for New RFQ/P
- From Toby Levine, Co-Chair of the Central Waterfront Advisory Group, regarding Pier 70
- From Port legal staff, regarding Exclusive Negotiations between the San Francisco Port Commission and Seawall Lot 337, LLC for the development of Seawall Lot 337 and Pier 48

FEBRUARY/MARCH 2013
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
FEB. 26	2: 00p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
MAR. 12	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
MAR. 26	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.

NOTES:
The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:
The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:
Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.

NOTICES

Prohibition of Ringing of Sound Producing Devices:
The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

February 7, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer
Executive Director

SUBJECT: Informational presentation about the Port's 150th Anniversary Celebration, April 24, 2013

DIRECTOR'S RECOMMENDATION: Informational Only; No Action Required

Background:

The Port of San Francisco is extremely proud to announce the upcoming celebration of its 150th Anniversary on **April 24, 2013.** On this day in 1863, the Port was established with the Legislature's creation of the State Harbor Commission which oversaw the development of the Port, especially the building of the Seawall that continues to serve our great City today.

For perspective, the Port's heritage began just following the Gold Rush era during President Abraham Lincoln's term, and during the Civil War.

Beginning in April and throughout the remainder of 2013, the Port plans to have events and activities on the waterfront, and throughout the City, that highlight the Port's rich maritime and cultural history and showcase the vibrant "people port" that it's become today. Port staff will also use the150th anniversary as an opportunity to remind the public about: who we are, what we do, how we intersect with their everyday life and the many public benefits available at the Port.

Port 150th Anniversary Celebratory Activities:

- **Wednesday, April 24, 2013 - Big Birthday Bash at PIER 39** – Media event to kick off the anniversary celebration – 11:00 a.m.

THIS PRINT COVERS CALENDAR ITEM NO. 8B

- **Sunday, April 28, 2013 - Maritime Day on the Waterfront** – a daylong public celebration of events and activities along the waterfront from Hyde Street Pier in the north to Heron's Head Park (Pier 98) in the south – 10:00 a.m. to 5:00 p.m. Activities will include public boat tours, special discount offers at Fisherman's Wharf, PIER 39 and various restaurants on Port property; historical exhibits and lectures at Pier 1; inter-active art at Pier 14; Artists open studio at Pier 70 Noonan Building; and an Open House at the EcoCenter in Heron's Head Park.

- **Interpretive Displays** – 20 interpretive displays will be placed along the Embarcadero Roadway and roadways in the southern waterfront. Each display will provide a glimpse into the rich history of the Port and its contribution to building the City. The displays are 3-foot diameter metal columns that will be fabricated by the Port's Maintenance Division and written by Port staff. Each column will feature a historic photo and caption, and other information of interest to the public.

- **Port Banners** – the Port is preparing a series of festive banners celebrating the 150th. Each banner features an image of how the public enjoys the waterfront today. The intent of the banner images is to entice the public to visit and support the Port in its future endeavors. The banner images will be hung along Port roadways, used as backdrops for events, and posted on the Port's website. Select images from the banners will be turned into merchandise for sale to the public.

Port 150th Anniversary Community Activities in progress:

- Port History Exhibit, City Hall – 4th Floor, May 2013
- San Francisco Library – Exhibit and Lecture, 6th Floor History Center – July through August, 2013
- International Longshore and Warehouse Union (ILWU) and Locals – Film and History Talk "Tribute to Bloody Thursday," Local 34 Auditorium – July 5, 2013
- ILWU - Labor Day Fest – Local 10 Longshoreman's Hall – September 2, 2013
- SF Fire Department – New fire boat dedication, Pier 22 Fire House – October 2013
- Inland Boatmen's Union (IBU) Retirees Reception & Exhibit – Eureka ferry boat, Hyde Street Pier - TBD
- SF Fire Department – Exhibit & Tours - TBD
- Chinese Historical Society, Exhibit and History Talk, Chinatown - TBD
- National Park Service - Maritime Museum – Private Boating on the Bay Exhibit – TBD
- California Historical Society – Exhibit – TBD
- San Francisco Giants – Port's 150th Day at the ballpark - TBD
- Wells Fargo Museum Exhibit – 420 Montgomery Street – TBD
- Union Bank Exhibit – 400 California Street - TBD

Prepared by: Renée Dunn Martin, Public Relations Manager and Dan Hodapp, Senior Waterfront Planner

For: Monique Moyer, Port Executive Director

PORT OF SAN FRANCISCO

MEMORANDUM

February 7, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer
Executive Director

SUBJECT: Request approval of travel for a member of the San Francisco Port Commission to Shanghai and Beijing, China to attend the Breakbulk China 2013 Conference and make marketing visits to Port shipping Customers with members of Port staff

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Overview

One of the Port of San Francisco's key maritime markets is in Breakbulk and Bulk cargo shipping. The majority of Port breakbulk imports are sourced in Asia and our leading steamship customers have key offices in Shanghai and Beijing China. Like last year, Port staff is attending the Breakbulk China conference that is attended by leading shippers and ports involved in the transpacific breakbulk shipping market.

China has increasingly garnered the global spotlight with its growth in exports and imports of breakbulk and project cargo. China's dynamic economy has become not only a huge consumer of raw materials and finished commodities for domestic use, but also a supplier to foreign infrastructure construction projects. Panelists during two days of the conference program will discuss China's involvement in the world's breakbulk and project cargo transportation and whether this trend will continue in coming years.

While attending the conference, Staff will make marketing visits to the Shanghai and Beijing offices of current and perspective shipping customers to cultivate additional trade volumes for the Port. The attendance of Commissioner Willie Adams will add additional prestige to the value of our trade development meetings particularly with his leadership position in the International Longshore and Warehouse Union. Our current cargo terminal operator, Metropolitan Stevedore Company will also be attending the conference and will travel with Port staff to make joint marketing calls.

THIS PRINT COVERS CALENDAR ITEM NO. 9A

Recommendation

Attached, for your approval, is a resolution authorizing Port Commissioner Willie Adams to travel to Shanghai and Beijing, China on March 9- 20, 2013 to attend the Breakbulk Asia Conference as well as make trade development marketing visits to current and perspective cargo customers. The cost of this trip is covered in the Port Commission's Fiscal Year 2012-2013 budget.

Prepared by: Peter Dailey, Deputy Director
Maritime

PORT OF SAN FRANCISCO

MEMORANDUM

February 7, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer
Executive Director

SUBJECT: Informational Presentation on Real Estate and Maritime Revenues for the First Quarter of Fiscal Year 2012-13

DIRECTOR'S RECOMMENDATION: Information Only - No Action Required

Executive Summary

For the first quarter of FY 2012-13, from July 1, 2012 to September 30, 2012, Port revenues are 2.7% higher than the same quarter from the prior year, as collected on a cash basis. This increase has occurred despite the loss of revenue associated with displacing tenants for the Cruise Ship Terminal and the America's Cup Projects.[1] This is due largely to (a) a one-time timing shift in an annual cargo wharfage payment from Recology, and (b) growth in Ship Repair, Parking Meter, and Parking Fine revenues.

Staff currently estimates that total Port annual revenue will exceed the budgeted amount of $74.5 million. Staff is currently developing a detailed forecast of year end revenue by revenue type and division, and the results of that analysis will be provided at the February Port Commission meeting.

Positive Indicators

- Vacancy rate decreased from 2.6% to 1.6%
- Delinquency rate (amount of overdue receivables as a percent of the prior 12 months of revenue) decreased from 4.1% to 3.8%

THIS PRINT COVERS CALENDAR ITEM NO. 10A

[1] Per the agreement between the City, Port, and America's Cup Event Authority (the entity managing the 2013 America's Cup event), the Port agreed to vacate Piers 19, 23, 27 and 27 ½ (the site of the Cruise Ship Terminal Project), 29, 29 ½, 30, and 32 of existing tenants and provide these sites, free of rent, to the America's Cup Event Authority. The displacement of existing tenants on the subject Piers has resulted in rent loss for the Port.

Real Estate

Real Estate	Q1 FY 2011-12	Q1 FY 2012-13	Increase/ (Decrease)
Operating Indicators			
Shed Vacancy *(of 1.7 million square feet leasable)*	0.0%[3]	0.0%	-
Office Vacancy *(of 320,000 square feet leasable)*	18.3%	8.2%	-55.2%
Retail Vacancy *(of 250,000 square feet leasable)*	Not Available[4]	4.8%	-
Average Vacancy *(of 2.3 million square feet leasable)*	2.6%	1.6%	-38.5%
Delinquency Rate	4.1%	3.8%	-7.3%
Revenues Received ($000)			
Fixed Rent Leases	$5,809	$5,424	-6.6%
Percentage Rent Leases[5]	4,946	5,000	1.1%
Lost Rent Reimbursement	0	0	-
Parking Lots	3,570	3,210	-10.1%
Parking Meters	1,020	1,161	13.8%
Parking Fines	534	700	31.0%
Other Real Estate[6]	221	200	-9.4%
Total Real Estate	$16,100	$15,694	-2.5%

Real Estate Quarterly Highlights

- Office vacancy decreased significantly due to the leasing of large spaces in the Roundhouse and 501 Cesar Chavez for approximately 5 years.
- Average vacancy remains very low. This is the result of the combined effects of (a) increasing demand associated with general economic improvements, (b) decreased supply due to the occupancy of Piers 19, 23, 27, 27 ½, 29, 29 ½, 30, and 32 by the America's Cup Event Authority, and (c) the relocation of 22 of the 37 tenants displaced by the America's Cup Event Authority to other Port property.
- Delinquency rate continues to decline due to rising revenues and successful collections efforts. Notably, approximately 60% of the delinquent amount is due from one tenant, Pier 38 Maritime Recreation Center, Inc. This amount is currently under litigation and is anticipated to remain a delinquent account for the foreseeable future.
- Annual rent adjustments are up to date.
- Fixed Rent and Parking Lot rents are down significantly compared to Q1 FY 2011-12 due to the displacement of tenants for the America's Cup and the Cruise Terminal Projects.

[3] Vacancy tracking was previously performed at the end of the 2nd and 4th quarters of each fiscal year. Quarterly tracking did not begin until FY 2012-13. Therefore, vacancy figures for Q1 FY 2011-12 were not available. so the data above is from the next quarter where data was available, Q2 FY 2011-12.
[4] Retail vacancy was not tracked prior to Q1 FY 2012-13.
[5] Percentage Rents include both the base and overage rents.
[6] Other Real Estate revenues include special event and encroachment permits.

- The MOU to reimburse the Port for rent lost due to the America's Cup has not resulted in payments to the Port through Q1 FY 2012-13. This is the result of the MOU's definitions and methodology. The table below illustrates the calculation methodology, and shows that the cumulative reimbursement due the Port through Q1 FY 2012-13 is approximately negative $77,000, which will serve to reduce any future reimbursement due.

Reimbursement ($000)	**Q3 FY 2010-11**	**Q4 FY 2010-11**	**Q1 FY 2011-12**	**Q2 FY 2011-12**	**Q3 FY 2011-12**	**Q4 FY 2011-12**	**Q1 FY 2012-13**
Forecasted Revenue from Race Facilities[7]	$501	$599	$669	$585	$516	$617	$688
LESS Actual Revenue from Race Facilities	507	665	692	495	467	729	324
LESS Relocated Tenant Revenue[8]	0	0	0	3	4	32	61
LESS Increase in Percentage Rent Revenue from Non-Race Facilities[9]	0	0	0	0	0	0	273
= Reimbursement Due Port	(6)	(66)	(23)	87	45	(145)	30
Cumulative Amount Due	**$(6)**	**$(72)**	**$(95)**	**$(8)**	**$37**	**$(107)**	**$(77)**

- Parking Meters and Fines continue to grow significantly due to the addition of new meters and utilization of traffic enforcement officers.

Real Estate Outlook Through the End of FY 2012-13

While not contributing to the reporting quarter, a number of leasing activities will impact revenues through June 30, 2013 which were NOT assumed in the FY 2012-13 budget.

The following negative factors will reduce revenues:

- The Second Amendment to the Autodesk, Inc. lease will increase Port revenues in the long term, but decrease revenues through the end of FY 2012-13 by $150,000 during their construction period
- Parking meter and fine revenue is forecasted to decrease by approximately $110,000 in FY 2012-13 due to permanent removal of 33 parking meters along Jefferson Street. The meter removal is a component of the Public Realm Project to improve the pedestrian experience in Fisherman's Wharf.

[7] This is a conservative forecast based on the January 2011 rent roll, inflated by CPI adjustments. Actual revenues, as shown above, have typically exceeded this conservative forecast.
[8] Reimbursement is offset by actual revenues received from tenants that relocated from a race venue to other Port property.
[9] The MOU assumes that any growth above 3% which occurs outside the America's Cup venues during the entire quarter in which a racing event is held is the result of the America's Cup. Therefore, such growth above 3% reduces any reimbursement due the Port.

However, the negative factors above are estimated to be offset by the following positive factors:

- Ammunition, LLC signed a 5 year lease for a large office space in the Roundhouse which will generate additional revenue of $100,000 in FY 2012-13.
- New rent revenues from the new Mission Rock Resort tenancy will begin in January 2013, and are estimated to generate approximately $100,000 in FY 2012-13.
- Although award of a lease for a new restaurant at 395 Terry Francois (the foot of Pier 50) is expected in the next few months, new rent revenues will not be generated until FY 2013-14.
- The Exploratorium is scheduled to open April 17, 2013, and generate new parking and percentage rent of approximately $50,000 through FY 2012-13.
- The SFMTA has submitted notice to terminate its lease at Pier 70 (for Auto-Return), which generates approximately $1.8 million in annual rent, at the end of the current fiscal year. While this will not impact FY 2012-13 rents, the significance of this rent loss will have negative impacts on FY 2013-14 revenues unless a new tenant can be installed.

Maritime

The following information analyzing revenues from Maritime uses has been added since the last report.

Maritime	Q1 FY 2011-12	Q1 FY 2012-13	Increase/ (Decrease)
Operating Indicators			
Cargo Tonnage (Metric Tons)	292,947	352,114	20.2%
Cruise Passengers	64,351	61,356	-4.7%
Ship Repair Days	156	189	21.2%
Revenues Received ($000)			
Cargo	$1,083	$1,605	48.2%
Ship Repair	0	498	N/A
Harbor Services	479	503	4.9%
Cruise	897	820	-8.5%
Fishing	536	508	-5.2%
Other Maritime[10]	464	402	-13.5%
Total Maritime	$3,460	$4,337	25.4%

Maritime Highlights

- Cargo activities increased by 20.2%. Cargo activities, primarily in aggregates increased by 23%, when compared to the same quarter the prior year. This is a positive indicator of economic recovery.
- Cargo revenues have risen due to an increase in cargo activities and as a result of a shift in payment timing (annual wharfage from Recology was paid in Q2 last year

[10] Other Maritime consists of revenues such as ferry services and office space related to maritime use.

instead of Q1). Another driver for the positive variance is San Francisco Bay Railroad's continued strong growth from last year due to need of rail transport of contaminated soils from projects such as the Central Subway, Hunters Point and Downtown construction projects. San Francisco Bay Railroad generates cargo revenue for the Port based on a per railcar transport, therefore this revenue is subject to their project volumes.

- The number of days a ship was in for repair is up 21.2% from 156 to 189. This was the result of completing Central Basin dredging in September 2011, which allowed larger ships to come in for repair. Typically the larger ships stay longer generating higher revenues.
- BAE Ship repair generated an overage rent of $260,000 compared to zero overage in the same quarter the prior year (additional growth in Ship Repair revenue is due to a shift in base rent payment timing). This is mainly due to the Central Basin dredging completed in September 2011 which enables larger ships to come for larger repair projects.
- The unfavorable variance in Other Maritime of $62,000, when compared to the same quarter the prior year, was entirely due to August and September dockage billings for Matson Navigation which were incorrectly classified in Other Maritime in the prior year. In the current year, the mistake was corrected and the revenue was classified in Cargo.
- The number of cruise passengers decreased by 2,995 or 4.7% when compared to same quarter last year. However, the number of cruise passengers is projected to be 200,000 through the end of fiscal year, compared to 159,000 in FY 2011-12.

Maritime Outlook Through the End of FY 2012-13

- Port staff expects continued strong growth in Ship Repair due to the continued benefit of the deepening of the Central Basin and the relatively new shore side power at Pier 68.
- Cruise calls booked for the remainder of the current fiscal year is 45 compared to 35 calls the same quarters last year.
- Port staff expects growth in ferry services due to an increase in dockage and wharfage rates in 2012.
- Tideline Marine Group, a water taxi operator, started operations during Fleet Week 2012. Receipt of the first percentage rent payment will be included in the next quarterly report.
- San Francisco Bay Railroad volume continues strong growth over the prior year.

Conclusion

As shown in the table below, Port total revenue in Q1 FY 2012-13 is slightly higher than the same quarter for the prior year. Minor decreases in Real Estate revenues, largely the result of tenant displacements due to the America's Cup and Cruise Terminal Projects, have been offset by increases in Maritime and Other Port Revenues.

Division ($000)	Q1 FY 2011-12	Q1 FY 2012-13	Increase/ (Decrease)
Real Estate Revenue	$16,100	$15,694	-2.5%
Maritime Revenue	3,460	4,337	25.4%
Other Port Revenues	683	764	11.8%
Port Total	$20,243	$20,795	2.7%

Staff estimates that the new negative factors discussed above, which were not assumed in the FY 2012-13 budget, will be offset by new positive factors. Absent an unforeseen impact, staff estimates that the overall Port revenue growth of 2.7% observed in Q1 FY 2012-13 will be maintained through the end of the fiscal year.

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For: Susan Reynolds, Deputy Director
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Peter Dailey, Deputy Director
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PORT OF SAN FRANCISCO

MEMORANDUM

February 7, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer
Executive Director

SUBJECT: Informational Presentation on the Port's Load Restricted (Yellow with Green Hatching-Tagged) and Fully Restricted (Red-Tagged) Facilities

DIRECTOR'S RECOMMENDATION: Informational Only; No Action Required

BACKGROUND

The Port's Facility Assessment Program (Program) inspects, categorizes and records the condition of over 350 structures which include piers, wharves and buildings under the Port's jurisdiction. The Port's Facility Assessment Team (FAT) manages the program and is responsible for performing periodic inspections to identify health and safety issues and inform tenants and the public about its findings. Based on the structural condition of the facilities, the Facility Assessment Team makes recommendations for structure load restrictions, barricades and warning signs. The inspection findings are also used to document maintenance and repair needs for the Port facilities.

Since the Program's inception in 2002, the Facility Assessment Team has been conducting inspections of all Port facilities based on a frequency which depends on the type of building material and the type of occupancy or use of the facility.
During Port Commission meetings held on March 13, 2007 and September 8, 2009, Port Staff made informational presentations about the program, describing the program protocol, objectives and accomplishments.

The purpose of this presentation is update the 2009 list of Port structures which need structural repairs. In addition, this presentation identifies those structures which Port Staff recommend should be repaired in the near future, i.e., an approximately 5 year timeframe, to avoid having to shut-down (red-tag) the facilities if the repairs are not executed.

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For each facility, the structural inspection findings and recommendations are summarized in a Rapid Structural Assessment (RSA) report which includes a structural rating of the respective facility indicated by a coloring scheme shown on a schematic map of the facility. The structural rating coloring scheme is described below:

- Green (unrestricted use, good structural condition, no live load reductions/restrictions)
- Yellow with Green Hatching (restricted use, load limit signs indicating reduced live loads and/or barricades, further structural review and structural repairs required)
- Red (restricted access, unsafe, poor structural condition)

Attachment 1 graphically depicts the current structural ratings of the Port Facilities from the south to the north as of the date of this memorandum. Excerpted below is the list of facilities that were noted in the 2009 report and their current status. Some of these facilities remain on the yellow-tagged or red-tagged lists that follow later in this memorandum.

STATUS OF FACILITIES WITH STRUCTURAL PROBLEMS, NOTED IN THE MARCH 2009 COMMISSION PRESENTATION

Facility	Action
Pier 31 Superstructure	Facility is red-tagged and Port Engineering is developing conceptual structural repair drawings and a cost estimate; see red-tagged list below.
Pier 50 Valley Substructure	Contractor is completing repairs to the substructure.
Pier 43½ Parking Lot Substructure	Contractor has demolished Facility.
Fisherman's Wharf Fuel Dock	Contractor has strengthened Facility.
Wharf J9 Seawall and Deck	Facility is load restricted (yellow with green hatching – tagged). Port Engineering is preparing structural repair drawings. See also discussion below.
Wharf J7/J8	Most of Wharf J8 has been repaired. Wharf J7 is scheduled for repair by Port Maintenance; - see yellow w/ green hatching list below.
Wharf J4	Port Maintenance has rebuilt Wharf J4
Pier 33 South Apron	Facility is load restricted; see yellow w/green hatching list below.
Pier 33 North Apron	Facility is red-tagged; see red-tagged list below.
Pier 19 North Apron	Facility is red-tagged and scheduled to be rebuilt in five years; see red-tagged list below
Pier 19 South Apron	Port Maintenance is completing the rebuild of this Facility
Pier ½ Parking Lot	Contractor has recently demolished Facility
Ferry Bldg. North Public Access Plaza	Contractor has strengthened this Facility

Agriculture Bldg. North Apron	Facility is load restricted; see yellow w/ green hatching list below.
Pier 26 North Apron	Facility is red-tagged; see red-tagged list below.
Pier 28 North Apron	Facility is red-tagged; see red-tagged list below.
Pier 28 South Apron	Facility is red-tagged; see red-tagged list below.
Pier 50 Shed B Apron	Facility is load-restricted; see red-tagged list below.

The remainder of this report presents a detailed list of the current yellow with green hatching and red-tagged Port facilities. The presentation format has been changed to tabular so that both (1) the condition assessment of the large number of facilities and (2) the status of Staff completing structural assessments of all Port facilities could be clearly understood.

STRUCTURES THAT SHOULD BE REPAIRED AS SOON AS POSSIBLE

I. Yellow with Green Hatching – Tagged Facilities

The facilities tagged as yellow with green hatching all have restricted live loads. For each facility the appropriate signage has been posted indicating the respective reduced allowable live loading. All of these facilities need structural repairs. The allowable live load restrictions are correlated to the respective facility's structural damage assessment.

The following is a list of 9 load restricted facilities that Port Staff recommend be repaired in the near future (5-year time frame) to avoid being red-tagged:

- Wharf J9 in Fisherman's Wharf

As reported in 2009, the wharf substructure and adjoining seawall are in deteriorated condition. The wharf substructure deck supports a roadway and the backfill behind the seawall is a critical structural support for the foundations of a number of Fisherman's Wharf buildings that exist adjacent to and south of the seawall. Port Engineering is in the process of starting the design of the Wharf J9 repairs. The design is expected to be complete by the end of 2013 with expected construction start date of sometime in FY 2014/15. It is anticipated that Port Maintenance will perform the work. The estimated cost of materials for these repairs is $2M and is anticipated to be available from Pier Repair fund in FY 2014/15. See Photo #1.

Photo #1.Wharf J9

- Pier 43½ Seawall and Wharf between Franciscan Restaurant and Pier 45

  As reported in 2009, the Pier 43½ area has required extensive repair. The Port has substantially repaired the deck surrounding the Franciscan Restaurant as well as the sea wall below. However, some dry rotted wood piles and wood lagging still require additional repair. This may lead to loss of backfill and ultimately create sinkholes along the Little Embarcadero. The estimated cost of repairs is $400K which is not currently funded. As funding becomes available Port Maintenance will execute required pile repair work. See Photo #2.

Photo #2. Seawall at Pier 43½

- Pier 35 Substructure including South Apron

  Structural concrete slab and beams have incurred spalling and rebar corrosion. Port Engineering will design only the critical substructure repairs in 2013 and will hire a contractor to execute these critical repairs next year, assuming that project funds can be secured. This project is estimated to cost $3M and current project funds total $1.2M. See Photo #3.

Photo #3. Pier 35

- Pier 29 Substructure including North Apron

  The concrete deck is in poor condition. Inspection revealed substantial deterioration of the beams, girders, and slabs. Port Engineering recommends that all structural members with severe and major damage be repaired at this time. The estimated cost of repairs is $2M. The project is not currently funded. See Photo #4.

Photo #4. Pier 29 Substructure

- Pier ½ Marginal Wharf

The portion of Pier ½ that served as a parking lot and was listed on the 2009 report has been demolished and removed. However, the marginal wharf needs immediate critical repairs to continue use as motorcycle parking. One of the main structural steel beams supporting the Marginal Wharf is heavily corroded and needs repair. These critical repairs are fully funded and anticipated to be completed by March 2013. With completion of this repair, the structure should perform adequately for the next ten years. Pier ½ may be developed in the future as part of a Water Emergency Transportation Authority (WETA) Ferry Terminal Expansion Project. See Photo #5.

Photo #5. Pier ½ Marginal Wharf

- Agriculture Building East Apron and South Apron

  As reported in the 2009 memorandum, both aprons surrounding the Agriculture Building show significant deterioration: slab rebar is missing in many locations due to corrosion. At present, the South Apron use is restricted to light passenger vehicles while no vehicular traffic is allowed on the East Apron. No funding source has been identified for repair of these aprons yet. The estimated cost of repairs is $2M. If repairs are not made, Port Engineering will not allow vehicles to access the South Apron. Then, both the South Apron and the East Apron will only be available for pedestrian traffic. These aprons are expected to get repaired as part of the future Water Emergency Transportation Authority (WETA) Ferry Terminal Expansion Project. See Photo #6

Photo #6. South and East Apron of Agriculture Building

- Pier 2 Superstructure and Substructure, Sinbad's Restaurant

  The substructure includes missing and significantly damaged piles, and damaged concrete slabs and beams. Per a prior agreement with BCDC, the Port must demolish the restaurant building by 2015. The estimated cost to demolish this building and install guardrails and barriers is $200,000. Barriers will be located to prevent access over damaged substructure locations. Project will be funded in FY 2014/15. See Photo #7.

Photo #7. Pier 2 Sinbad's Restaurant

- Pier 54 Substructure

  Pier 54 has many damaged beams. At present, no funding source has been identified for the repairs. The estimated cost to perform the repairs is $21M; this includes substructure repairs and seismic strengthening. See Photo #8.

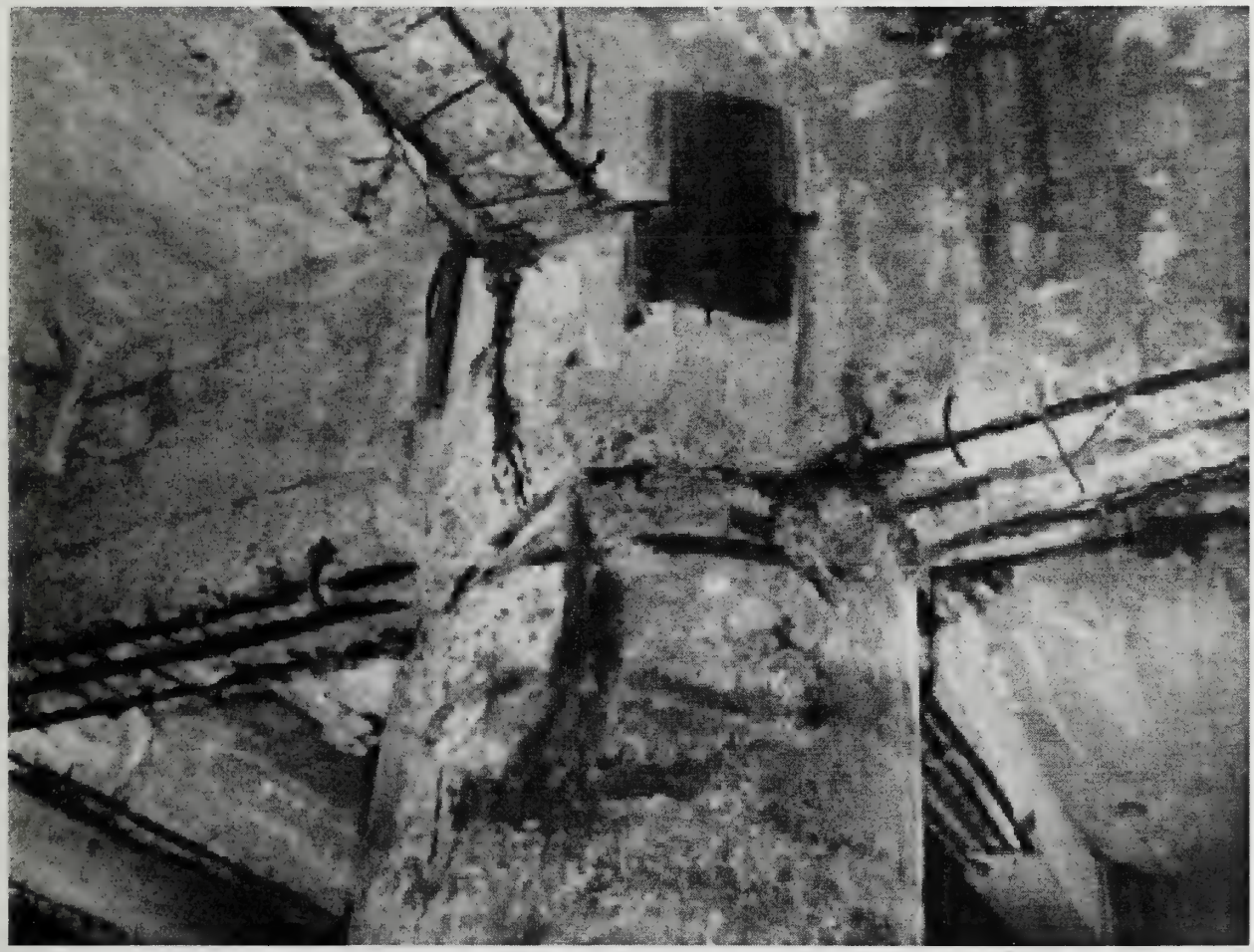


Photo #8. Pier 54 Substructure

- Pier 92 Apron Section

  All of the wood piles have incurred dry rot. Port Engineering has nearly completed the apron repair design. Port Maintenance will likely execute the work in years 2013 and 2014. The project materials cost is $2M and the project is currently funded for $2M with Port Capital Funds. See Photo #9.

Photo #9. Pier 92 Apron

The following table lists load restricted facilities that Port Staff recommends be repaired in the future. Port Engineering estimates that these facilities can adequately perform for another 10 years without executing repairs. Facilities new to the table are depicted by light shading.

Yellow with Green Hatching - Tagged Facilities (10+ Year Functional Lifespan)[1]

Facility	Structural Problem	Proposed Action	Funding Available
Wharf J7	Some of the wood piles have incurred dry rot.	Port Maintenance has started the pile repair work and will resume work shortly.	Yes - CPO778
Pier 43½ Franciscan Restaurant	Some of the wood piles have incurred dry rot.	The tenant will perform substructure repairs for this location in the future	N/A
Pier 33½ Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 33 Substructure	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 33 South Apron	Deteriorated and missing piles	No plans to make substructure repairs within the next 10 years.	No
Pier 31½ Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 31 Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 29½ Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 27-29 Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 19½ Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 19 Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 9½ Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No

[1] Refer to facility Rapid Structural Assessment Reports (RSAs) for additional information regarding facility damage.

Facility	Structural Problem	Proposed Action	Funding Available
Pier 3 Substructure	Structural concrete slab, beams, and piles have incurred corrosion damage.	Tenant will be making substructure repairs in the future	N/A
Ferry Plaza Substructure (East End)	Structural concrete slab has incurred corrosion damage.	Tenant will be making substructure repairs in the future	N/A
Pier 26 Shed and S. Apron	Roof needs repair and superstructure elements have incurred dry rot.	Engineering will design and Port Maintenance will execute shed and apron repair work in the future.	No
Pier 26½ Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
P28½ Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 30-32	Structural concrete slab, beams, and piles have incurred corrosion damage.	Development by others is anticipated.	N/A
Pier 38 Substructure and Superstructure	Structural concrete slab and beams have incurred corrosion damage. Superstructure contains mezzanine which was not permitted.	Development by others is being explored.	N/A
Pier 40 Shed	Spalling exterior concrete wall panels.	No plans to make superstructure repairs within the next 10 years.	No
Pier 48 Section of South Apron	All of the wood piles have incurred dry rot.	Development by others is being explored.	No
Pier 50 Shed B Apron	Some of the wood piles have incurred dry rot.	Port Maintenance will execute this apron repair work in the future, once funds are available	No
Pier 68 Buildings # 52, 101, 105, 111, 115, 116	Superstructure framing has incurred corrosion damage requiring repair.	No plans to make superstructure repairs within the next 10 years.	No
Pier 90 Wharf Section	Substructure decking, framing, and piles have incurred dry rot.	No plans to make substructure repairs within the next 10 years.	No
SWL 344 KSFO Tower House	A tall roof antenna not properly supported is a possible falling hazard.	Port Engineering will confirm anchorage of roof antenna and Real Estate will inform tenant of required repairs.	No

Facility	Structural Problem	Proposed Action	Funding Available
Pier 94-96 Seawall	The rip rap at the north east seawall is undermined.	Engineering will design and Port Maintenance will execute repair work in the future.	No

II. Red - Tagged Facilities

Some red-tagged facilities may begin to fail in the near future, i.e., an approximately 5 year timeframe, and require investment and/or emergency demolition.

The following is a list of red-tagged facilities that Port Staff recommend to be repaired or demolished. Facilities new to the table are depicted by light shading.

Red - Tagged Facilities[2]

Facility	Structural Problem	Proposed Action	Funding Available
Pier 33 North Apron	Open depressed track area, and north and south end wales pose tripping hazards. Piles of wales are completely rotted out. Planks covering wales are either missing or deteriorated.	Port to repair when funds will be available	No
Pier 31 Superstructure	Roof needs repair and superstructure elements have incurred dry rot.	Structure condition being reviewed and repair requirements will be established with cost estimate.	No
Pier 19 North Apron	All of the wood piles have incurred dry rot.	BCDC requires that this apron be rebuilt as part of the Pier 27 Cruise Terminal project. Work for this site needs to be completed within 5 years of the completion of Phase 2 of the Cruise Terminal project.	No
Pier 26 North Apron	Wood decking is deteriorated	Port to repair when funds will be available	No
Pier 28 North Apron	Concrete and wood decking in "poor" to "severe" condition	Port to repair when funds will be available	No
Pier 28 South Apron	Concrete and wood decking in "poor" to "severe" condition	Port to repair when funds will be available	No
Pier 38 North and South Aprons	All of the piles have incurred dry rot.	Development by others is anticipated.	No

[2] Refer to facility Rapid Structural Assessment Reports (RSAs) for additional information regarding facility damage.

Facility	Structural Problem	Proposed Action	Funding Available
Pier 50 Shed B South Apron	All of the piles have incurred dry rot.	Tenant will be making substructure repairs in the future	No
Pier 52	Substructure decking, framing, and piles have incurred dry rot.	This site is a historic railroad pier. It cannot be removed and needs repair.	No
Pier 60	Substructure decking, framing, and piles have incurred dry rot.	This site will need to be demolished.	No
Pier 84	Dilapidated pier.	This site will need to be demolished.	No
Pier 88	Dilapidated pier.	This site will need to be demolished.	No
Pier 90 Wharf Section	Substructure decking, framing, and piles have incurred dry rot.	This site will either be demolished or repaired depending on cost and available funding.	No
Mooring Pier near Pier 96	All the piles have incurred dry rot. Eastern offshore end of Pier 96 Mooring Pier collapsed due to the piles incurring dry rot. It is unsafe to perform the rest of the repairs under the pier.	This site will need to be demolished.	No

Continuous monitoring of these red-tagged facilities needs to be included into the Facility Assessment Program to preclude the possibility of a significant collapse occurring without warning. Port Engineering currently only observes most of the red-tagged facilities from a distance. If something becomes more urgent (i.e., the pier is collapsing into the bay) Port Maintenance will assist with demolishing the remainder of the pier and picking up debris from the bay due to the collapse.

FUNDING

With respect to the yellow with green hatching-tagged facilities that are recommended to be repaired within five years, some of those projects are fully funded, others are partially funded and some have no funding. The capital projects group is currently prioritizing the allocation of available capital funds. Regarding the remaining yellow with green hatching-tagged facilities and red-tagged facilities, the Port has very limited capital funds available for these future capital projects. The estimated total funding

requirements are in the hundreds of millions of dollars whereas the annual available capital funds for Pier Repair typically total $1.5 - $4 million dollars. In the coming years, Port staff and the Port Commissioners will continue to set priorities for deployment of our limited resources.

SUMMARY

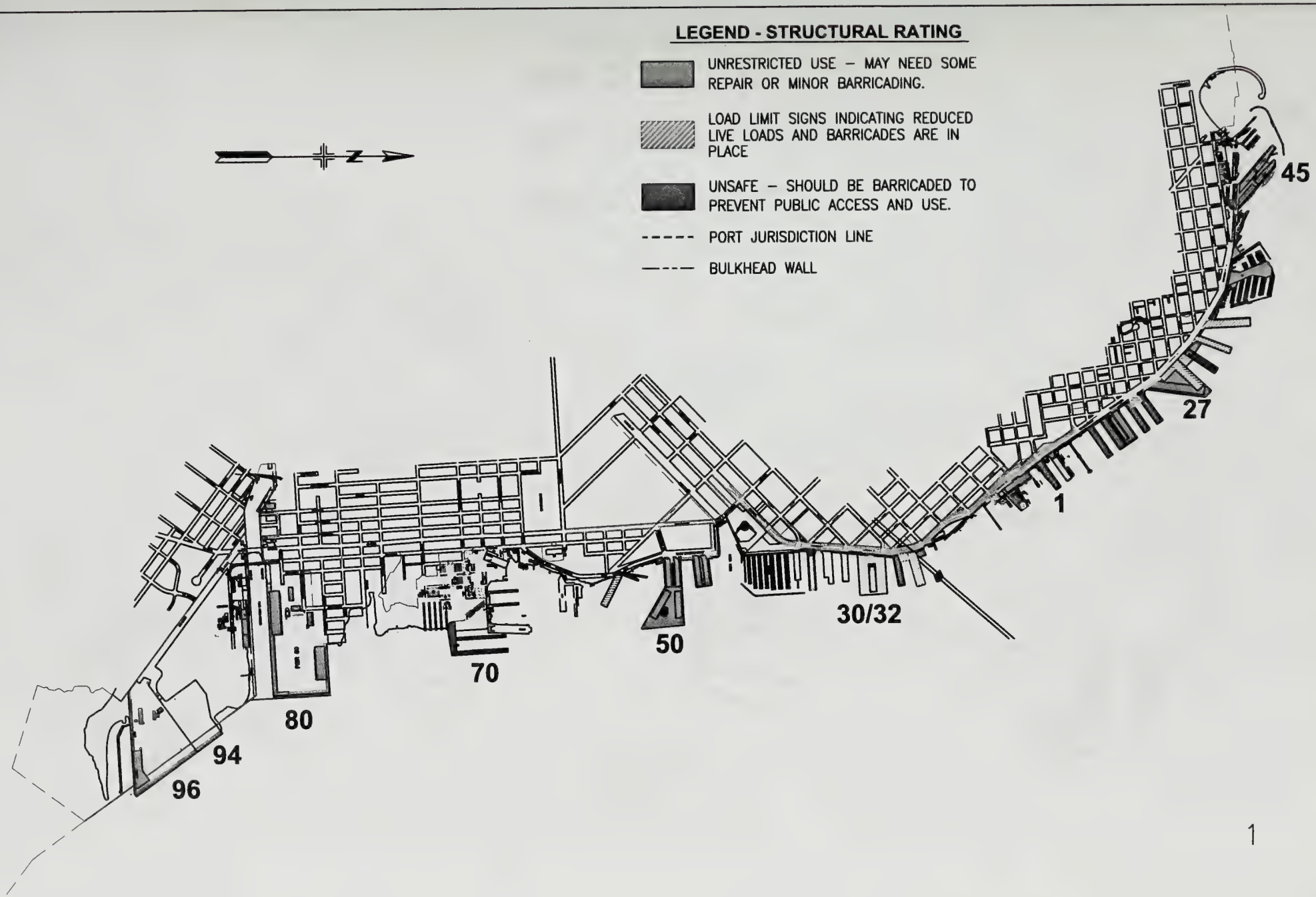
The Port Facility Assessment Program provides valuable information related to structural conditions of Port facilities. This information is used to identify facility public safety issues and the Port's facility repair and maintenance needs. Using this program, Port staff makes critical decisions regarding public safety and asset management, including capital allocation for maintenance and repairs, and public safety. The program findings provide a basis for Capital Plan Programs.

Prepared By: Sherban Duncan, Associate Civil Engineer

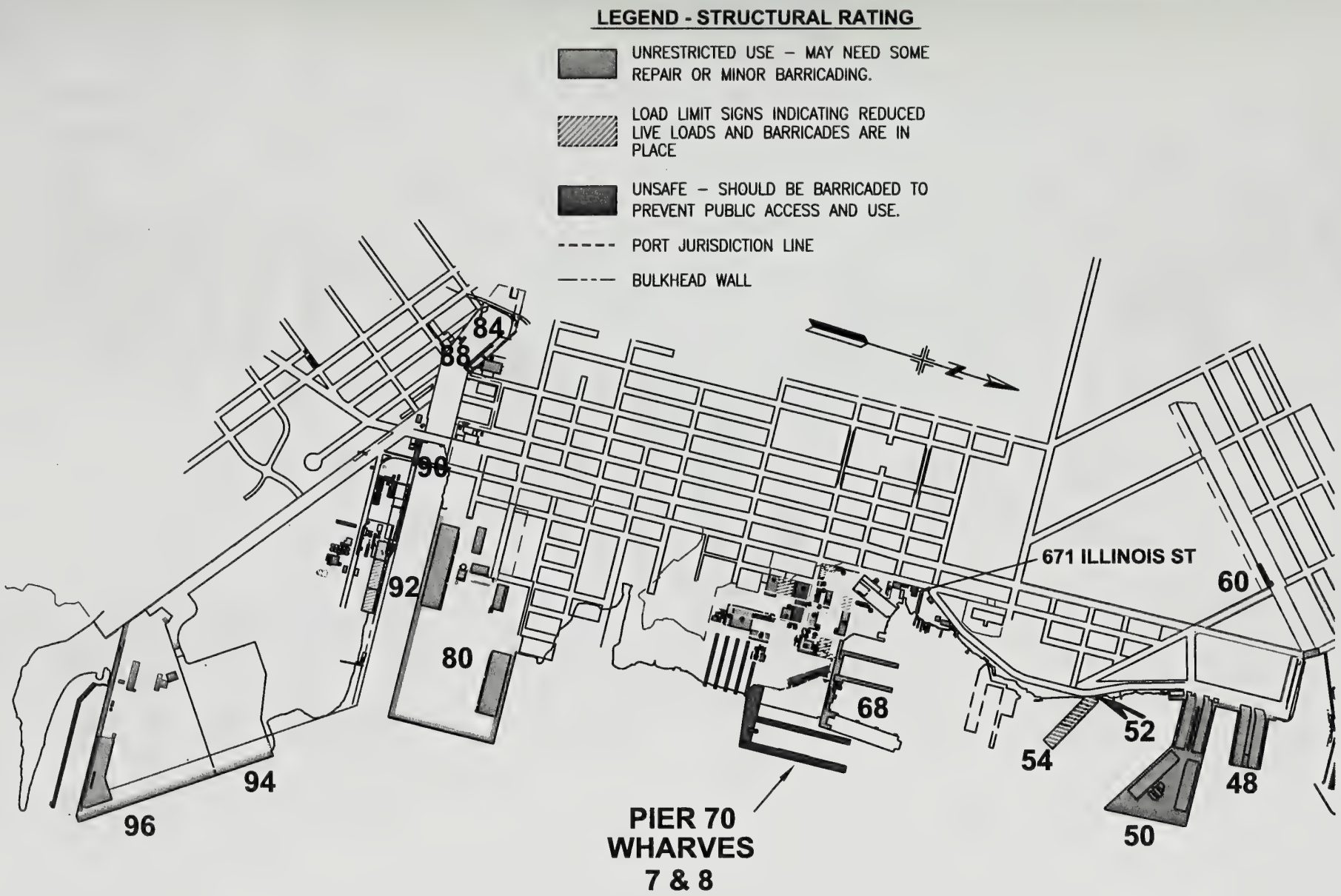
For: Edward Byrne, Chief Harbor Engineer

Attachment 1 – Structural Ratings

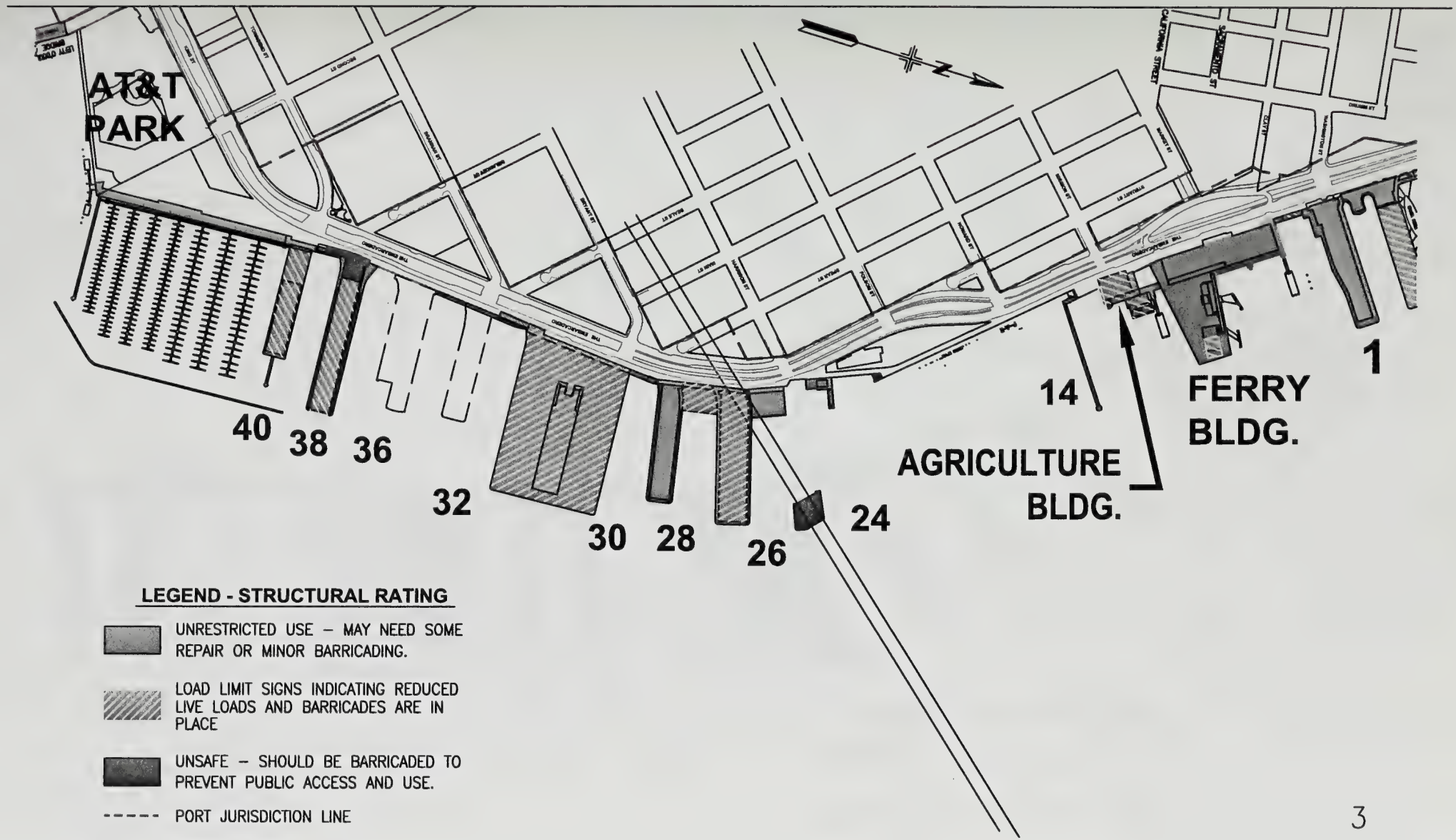
Attachment 1 - Structural Rating-Page 1 of 5
Over All



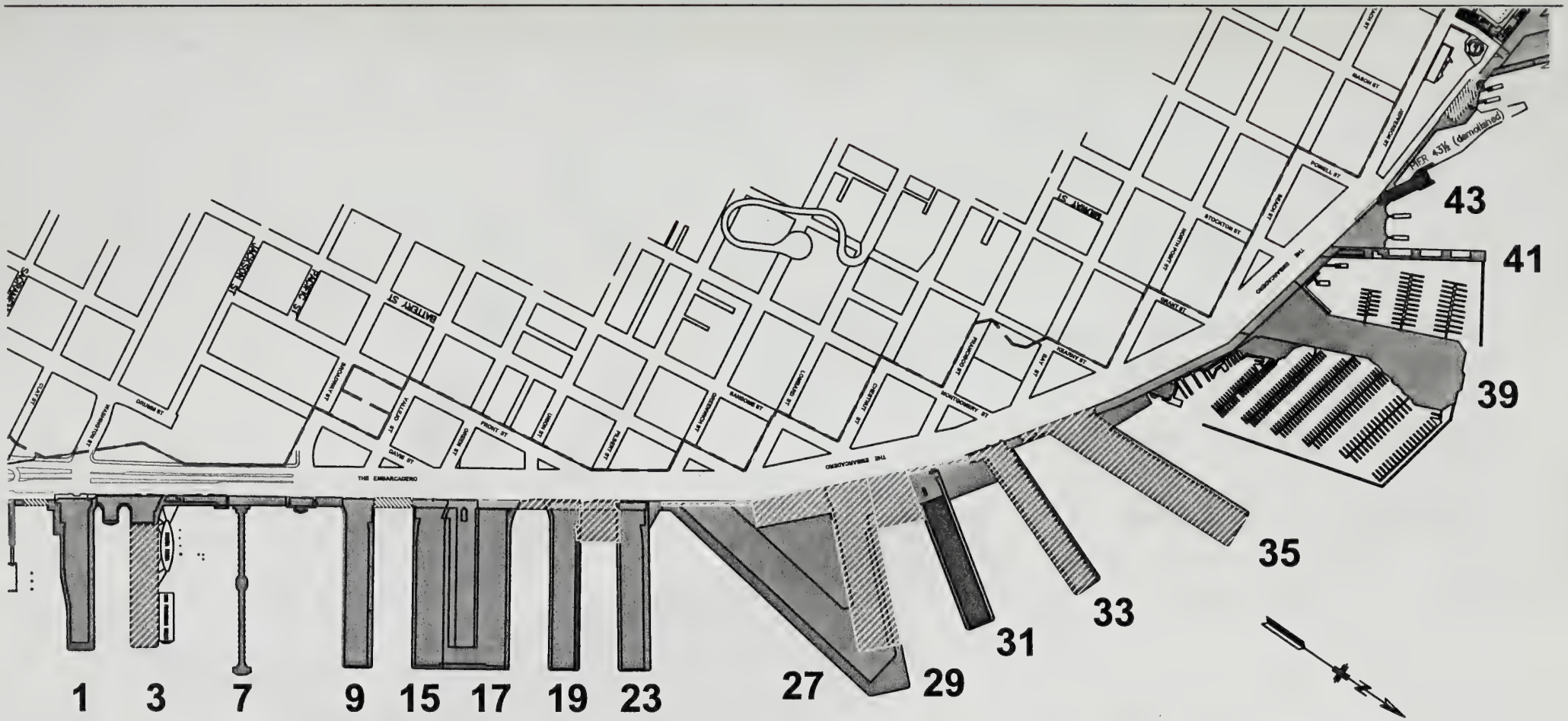
Attachment 1 - Structural Rating-Page 2 of 5
Pier 96 to Pier 48



Attachment 1 - Structural Rating-Page 3 of 5
AT & T Park to Pier 1



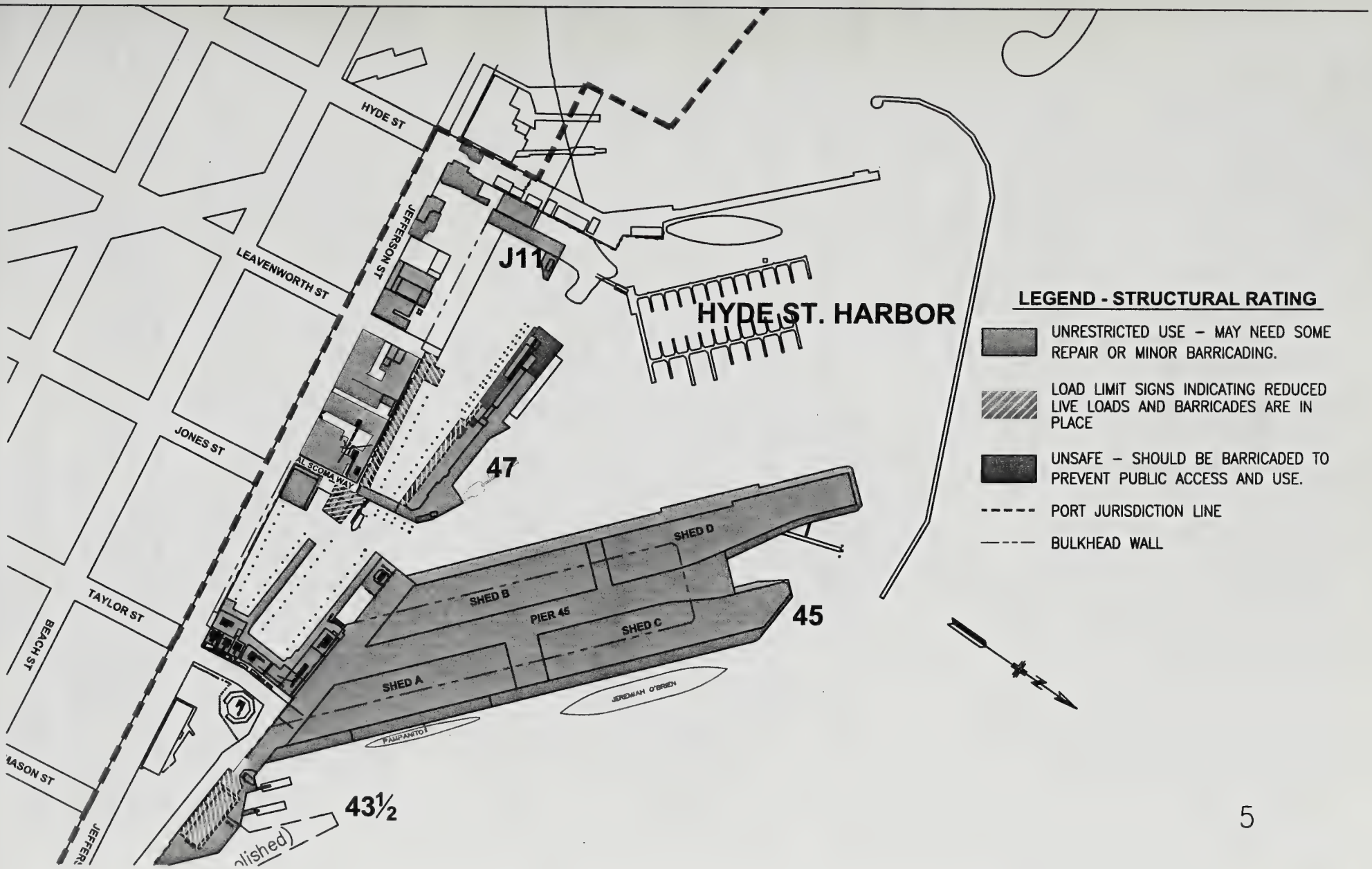
Attachment 1 - Structural Rating-Page 4 of 5
Pier 1 to Pier 43



LEGEND - STRUCTURAL RATING

- UNRESTRICTED USE – MAY NEED SOME REPAIR OR MINOR BARRICADING.
- LOAD LIMIT SIGNS INDICATING REDUCED LIVE LOADS AND BARRICADES ARE IN PLACE
- UNSAFE – SHOULD BE BARRICADED TO PREVENT PUBLIC ACCESS AND USE.
- ----- PORT JURISDICTION LINE
- —---— BULKHEAD WALL

Attachment 1 - Structural Rating-Page 5 of 5
Pier 43 to Wharf J11



PORT OF SAN FRANCISCO

MEMORANDUM

February 7, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer, Executive Director

SUBJECT: Informational presentation on the Port's supplemental appropriation to the Fiscal Year 2013-14 Operating and Capital Budget

DIRECTOR'S RECOMMENDATION: Informational Item – No Action Required

The purpose of this item is to provide an overview of the Port's proposed supplemental appropriation to the Fiscal Year (FY) 2013-14 Operating and Capital Budget to allow for Port Commission and public feedback. Approval of this item is scheduled for the next Port Commission meeting on February 26, 2013. Following Port Commission approval, staff will submit the budget supplemental to Mayor Edwin Lee's Budget Office for inclusion in the Mayor's Proposed Budget to the Board of Supervisors. Additionally, staff will submit the Capital Project Budget to the City's Capital Planning Committee for review and approval. In prior years, the Operating and Capital budgets have been considered in two separate items. However, since the Port is now on a fixed two-year budget cycle, staff has provided one report to describe proposed changes to the already approved Operating and Capital budgets for FY 2013-14.

Two Year Budget Process

On November 3, 2009, voters passed Proposition A, which allows the City to implement a two-year budget cycle. In 2010 the Port, Airport and Public Utilities Commission piloted a two-year rolling budget cycle for FY 2010-11 and FY 2011-12. In 2012 the Board of Supervisors approved those departments' first fixed biennial budgets for FY 2012-13 and FY 2013-14, such that our next formal budget process will be in 2014 for the FY 2014-15 and FY 2015-16 biennial budget. Additionally in 2012, for the first time all other City departments prepared rolling biennial budgets, so they are currently undergoing a new budget process for FY 2013-14 and FY 2014-15.

Even though the Port is on a fixed two-year budget cycle, we have the opportunity to modify our FY 2013-14 budget by up to five percent of total expenditures approved for FY 2013-14 in the Annual Appropriations Ordinance (AAO) without undergoing a formal review by the Board of Supervisors. For the Port, 5% of total FY 2013-14 expenditures

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equates to approximately $4.6 million. As a result of citywide growth in salary and fringe rates, new demands for debt service to fund Phase II of the Pier 27 Cruise Terminal project and the availability of funds to support additional capital needs, Port Staff requests Port Commission approval to modify the FY 2013-14 budget by $4.3 million, or 4.2% of the total FY 2013-14 approved budget.

If the Port Commission grants the request, Port staff will submit a supplemental appropriation to Mayor Edwin Lee's office, for inclusion in the Mayor's Proposed Budget to the Board of Supervisors. However, since the Port's proposed changes are within the five percent threshold designated by the City Controller, Port Staff does not expect the Board of Supervisors to conduct line item budget review but instead to focus more on the Port's long term planning, which will be provided in the Five Year Financial Plan. A draft of that document will be presented to the Port Commission for review and comment on February 26, 2013.

City Budget Outlook

Even though the Board of Supervisors passed a balanced budget for FY 2013-14, as mentioned, most of the City departments are on a rolling two-year budget cycle and are updating their FY 2013-14 budgets and creating a new budget for FY 2014-15.

Unfortunately those departments that rely on the General Fund face another year of cuts, due to a projected $129.1 million shortfall for FY 2013-14 and a $263.1 million shortfall for FY 2014-15. *Table 1* below shows the contributing factors to these shortfall projections, which include modest year-over-year local tax revenue growth offset by a loss of federal and state revenues, expiration of one-time solutions used to balance the FY 2012-13 and FY 2013-14 budget, and growing expenses.

Table 1: Explanation of City's General Fund Deficits, FY 2013-14 & FY 2014-15 ($ millions)

Revenues	**FY 2013-14**	**FY 2014-15**
Loss of One-time Sources	-$18.7	-$32.8
Net General Fund Revenue Growth	49.0	128.6
Restore State and Federal Reserve to $15 M	-15.0	-15.0
Summary of Sources Changes	15.3	80.8
Major Expenditure Changes		
Salary and Fringe Benefit Costs	8.8	98.8
Baselines Funding Increases	45.7	61.9
Changes to Budgeted Reserves	31.7	-3.8
Loss of One Time Solutions	28.5	112.6
All Other Changes	29.8	74.4
Summary of Expenditure Changes	144.5	343.9
Summary		
Revenues	15.3	80.8
Expenditures	-144.5	-343.9
Projected Deficit	-$129.2	-$263.1

In order to address the shortfalls, Mayor Lee directed General Fund departments to submit ongoing savings equal to 1.5% of their General Fund Support for FY 2013-14 and an additional 1.5% of their current General Fund Support for FY 2014-15. While challenging, these requirements are a clear improvement over the prior year requirements of 5% in cuts, 2.5% in contingency savings and 1% reductions in Full Time Equivalent employees (FTEs).

While the Port is not subject directly to the Mayor's budget cuts, Enterprise departments were directed to absorb all known cost increases in FY 2013-14. In addition to addressing our own priorities to fund additional debt service and capital projects, the Port is absorbing citywide increases to salary and fringe attributable to Port employees. Fortunately, the Port is able to support growing expenses in FY 2013-14 through improved revenue and Fund Balance projections.

BUDGET OVERVIEW

The FY 2013-14 proposed budget is $105.6 million, which is a $4.3 million (4.2%) increase over the FY 2013-14 approved budget.[1] This includes: $81.0 million for the Operating Budget, which is an increase of $0.95 million (1.2%); $10.6 million for the Port's 15% Operating Reserve, which is an increase of $0.3 million (2.5%) to align with the growth in Operating Expenses; and $14.0 million for the Capital Budget, which is an increase of $3.1 million (27.9%).

[1] The FY 2012-13 and FY 2013-14 Operating and Capital budgets (Items 8A and 8B) were adopted by the Port Commission on February 28, 2012 and by the Board of Supervisors on July 17, 2012.

Table 2: Summary of Port Sources and Uses

	Budget 2012-13	Budget 2013-14	Proposed 2013-14	Change from Budget 2013-14 Amount	Percent
Sources					
Estimated Fund Balance	$19,525,884	$20,348,173	$23,663,134	$3,314,961	16.3%
Operating Revenue	74,646,369	76,088,339	77,039,451	951,112	1.3%
South Beach Harbor & Marina Funds	4,283,715	4,346,475	4,346,475	-	0.0%
Capital Project Defunding	0	0	0	0	0.0%
Transbay Environmental Payment	550,000	550,000	550,000	-	0.0%
Total Sources	**$99,005,968**	**$101,332,987**	**$105,599,060**	**$ 4,266,073**	**4.2%**
Uses					
Operating Expenses	$68,285,825	$ 69,392,151	$ 70,343,263	$ 951,112	1.4%
Annual Projects	5,820,585	4,302,166	4,302,166	-	0.0%
South Beach Harbor & Marina	4,283,715	4,346,475	4,346,475	-	0.0%
Designation to Future Capital	-	2,055,666	2,055,666	-	0.0%
Operating Budget, Subtotal	$78,390,125	$ 80,096,458	$ 81,047,570	$ 951,112	1.2%
Unappropriated Operating Reserve	$10,373,301	$ 10,293,753	$ 10,551,489	$ 257,736	2.5%
% of Operating Expenditures	*15%*	*15%*	*15%*		
Capital Project Appropriations	$10,242,542	$ 10,942,776	$ 14,000,000	$ 3,057,224	27.9%
% of Operating Revenue	*14%*	*14%*	*18%*		
Total Uses	**$99,005,968**	**$101,332,987**	**$105,599,060**	**$ 4,266,072**	**4.2%**

SOURCES

Compared to the FY 2013-14 approved budget, funding sources have improved by $4.3 million (4.2%), including $3.3 million in Fund Balance from a projection of year-end results for FY 2012-13 and $1.0 million in Operating Revenue for the budget year. Port Staff is confident that these additional sources are available to fund the FY 2013-14 budget due to better-than-projected year-end balance in FY 2011-12 and the recent completion of the Port's Six Month Report for FY 2012-13, which projects a year-end surplus.

Fund Balance

Due to budgeting conservatively relative to actual outcomes in revenue and expenditures, the Port projects $3.3 million more in available Fund Balance at June 30, 2013 to support the 15% Operating Reserve and Capital projects. Specifically, in FY 2011-12 the Port closed with a year-end balance that included $4.2 million in expenditure savings and $6.8 million in revenue collection over budget. Current projections for FY 2012-13 anticipate additional surplus at year end.

Revenue

The proposed $77.0 million FY 2013-14 Operating Revenue budget reflects a $1.0 million (1.3 %) increase overall to support proposed new expenditures. Port staff is confident that revenues in FY 2013-14 will support this growth based on revenue

projections for the current year. This report projects FY 2012-13 Operating Revenues exceeding the budget by 7%. While the current trends indicate that the Port's actual revenues in FY 2013-14 will exceed the proposed budget, there are some potential negative factors that warrant more conservative assumptions in the coming fiscal year. For example, the loss of $1.8 million in annual rent due to the termination of SFMTA's lease at Pier 70 for AutoReturn and the loss of meter and fine revenue from the removal of 33 parking meters along Jefferson Street, will have negative impacts on the Port's FY 2013-14 income. Further, the FY 2014-15 capital budget will rely on FY 2013-14 yearend savings.

The FY 2013-14 proposed budget increases Maritime revenues by $0.4 million. This change particularly reflects strong Cargo revenues resulting from the San Francisco Bay Railroad's continued growth due to the need for rail transport of contaminated soils from projects such as the Central Subway, Hunter's Point and Downtown construction projects.[2] Additionally, Cruise, Fishing and Harbor Services are projected to grow in the coming year but are offset by a decline in Ship Repair due to the correction of an over assumption regarding power usage to date and corresponding revenues collected from the Pier 70 shoreside power surcharge. Otherwise, Ship Repair revenues are holding strong, particularly in overage rent from the tenant due to the growing frequency of large ships coming in for repair following the deepening of the Central Basin in 2011. Finally, Real Estate revenues are budgeted to increase by $0.6 million (6.8%), particularly due to the ongoing growth in Parking Meters and Fine revenue due to the addition of new meters and utilization of traffic enforcement officers.

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[2] *Information Presentation on Real Estate and Maritime Revenues for the First Quarter of Fiscal Year 2012-13* (Item 11A), January 18, 2013.

Table 3: Summary of Port Operating Revenues

	Projected 2012-13	Budget 2013-14	Proposed 2013-14	Change from Budget 2013-14 Amount	Percent
Maritime					
Cargo	$ 5,037,670	$ 4,795,200	$ 5,119,599	$324,399	6.8%
Cruise	3,059,214	3,162,000	3,222,000	60,000	1.9%
Fishing	2,062,153	2,110,000	2,130,000	20,000	0.9%
Harbor Services	2,015,164	1,992,300	2,023,224	30,924	1.6%
Ship Repair*	1,802,395	1,893,167	1,776,298	-116,869	-6.2%
Other Marine	1,520,497	1,607,000	1,639,468	32,468	2.0%
Subtotal	*15,497,093*	*15,559,667*	*15,910,589*	*350,922*	*2.3%*
Real Estate					
Commercial/Industrial	44,326,799	42,497,365	42,497,365	0	0.0%
Parking	17,599,287	15,919,000	16,519,190	600,190	3.8%
Subtotal	*61,926,085*	*58,416,365*	*59,016,555*	*600,190*	*1.0%*
Other					
Interest on Investments	693,000	812,500	812,500	0	0.0%
Permits	499,281	500,000	500,000	0	0.0%
Miscellaneous	218,682	427,507	427,507	0	0.0%
Developer Fees	779,652	300,000	300,000	0	0.0%
Special Events	70,000	47,000	47,000	0	0.0%
Penalties/ Charges	41,337	19,300	19,300	0	0.0%
Facility Damage	-	6,000	6,000	0	0.0%
Filming	1,564	-	-	0	0.0%
Subtotal	*2,303,516*	*2,112,307*	*2,112,307*	*0*	*0.0%*
Total Revenue	$ 79,726,695	$ 76,088,339	$ 77,039,451	$951,112	1.3%

**Revenue change relates to shore side power surcharge only.*

EXPENDITURES

Overall, the proposed FY 2013-14 budget is $105.6 million, which is a $4.3 million (4.2%) increase over the approved FY 2013-14 budget. This change reflects increased expenditures in both the Operating and Capital budgets as well as the 15% Operating Reserve requirement that was implemented by the Port Commission in 2008.

Operating Budget
The proposed FY 2013-14 Operating Budget is $81.0 million, which is a $1.0 million (1.4%) increase compared to the $80.1 million approved Operating Budget. This change is comprised of Salary and Fringe adjustments and an additional allocation to Debt Service.

Salaries and Fringe Benefits
The proposed budget reflects a $0.2 million increase in the cost of salaries and fringe benefits related to currently budgeted staffing levels resulting from a citywide adjustment to rates applied by the City Controller's Office.

Debt Service
The proposed supplemental includes an increase in debt service to reflect the issuance of approximately $17.0 million in debt (net proceeds) to cover a portion of the Phase II Cruise Terminal construction costs. Preliminary details of this proposed debt issue are currently being discussed with the Port's financial advisor, and will be brought to the Port Commission for its consideration and approval later this year. This new debt issuance will add approximately $0.8 million to the Port's total debt service in FY 2013-14. Revenues from a new cruise terminal passenger facility charge will offset some of the impact to the Port operating expense budget in the future, but these new revenues are not anticipated to begin until the new cruise terminal begins receiving cruise passengers; not scheduled until FY 2014-15.

Table 4: Summary of Port Operating Expenditures

	Budget 2012-13	Budget 2013-14	Proposed 2013-14	Change from Budget 2013-14	
				Amount	Percent
Salaries & Benefits	$ 32,556,481	$ 34,195,129	$ 34,346,241	$ 151,112	0.4%
City-wide Overhead*	-	-	-	-	0.0%
Other Current Expenses	12,445,355	11,558,978	11,558,978	-	0.0%
Materials and Supplies	1,402,166	1,439,598	1,439,598	-	0.0%
Capital Outlay (Equipment)	572,685	477,421	477,421	-	0.0%
Annual Projects	10,104,300	8,648,641	8,648,641	-	0.0%
Debt Service	5,995,560	6,289,872	7,089,872	800,000	12.7%
Interdept. Workorders	15,503,746	15,591,321	15,591,321	-	0.0%
Interdept. Recoveries	(190,168)	(160,168)	(160,168)	-	0.0%
Total Expenditures	$ 78,390,125	$ 78,040,792	$ 78,991,904	$ 951,112	1.2%

*Currently, the Controller's Office has not budgeted City-wide Overhead to the Port to reimburse the Port for prior overpayments. However, Port staff is in conversation with the Controller's Office to verify that payment is not due in FY 2013-14.

Operating Reserve
In 2008 the Port Commission passed a policy requiring the Port to maintain an Operating Reserve that is 15% of Operating Expenses.[3] The Port's policy and practice in this regard contributes to the Port's strong revenue bond ratings. As a result of the increased expenditures in the Operating Budget, the Operating Reserve increased by $0.3 million (2.5%), from $10.3 million to $10.4 million. As described above, Operating Reserve is supported by Unappropriated Fund Balance.

Capital Budget
As the Port Commission is aware, the Port's repair and replacement Capital Budget has historically been too low to adequately address capital needs. Of particular concern is the serious deterioration of Port facilities to the point of being unsafe and unusable. A companion Port Commission informational item of this agenda (February 12, 2013) describes the current facilities which are red tagged and those projected to be red tagged in the next 5 and 10 year horizon. Fortunately, the proposed FY 2013-14 Capital Budget is $14.0 million, or $3.1 million (27.9%) more than previously approved due to the availability of additional Fund Balance.

When it became clear that additional funding would be available for the FY 2013-14 Capital Budget, Port Staff underwent a scoring process for all previously approved and newly proposed capital projects using criteria detailed in Exhibit III. From that exercise, no projects were removed from the Capital Budget, but funding was allocated to support the following priorities:

Table 5: Summary of Capital Project Changes for FY 2013-14

Pier 35 Substructure	$1,900,000
Roof Repair	1,375,224
Port ADA Transition	200,000
Pier Repair Project	(418,000)
Total	**$3,057,224**

Pier Structures Repair
The funding recommendation for the Pier Structures Repair Project is $0.7 million, or $0.4 million less than the $1.15 million that was previously approved for FY 2013-14. This change actually reflects the addition of the Wharf J-9 project in FY 2014-15. Accomplishing this additional project with less funding is directly linked to a new strategy to fund an additional pile repair crew rather than contract out work for the most urgent pile repair projects. This savings was identified as part of the 34th America's Cup capital work, when it was determined that the Maintenance Division could complete repairs to the Pier 19 South Apron for $1.5 million rather than contract out the work for an estimated $3.25 million.[4] A couple key differences in pricing relate to using Port

[3] The Port Commission passed a policy in 2008 that requires the Port to maintain a 15% reserve of Operating Expenditures.

[4] Maintenance labor is approximately $0.5 million and the balance is for materials and supplies, including asphalt.

equipment, rather than paying contractors' equipment rental rates, and avoiding the contractors' overhead and profit costs. Another factor is the additional cost of completing designs and project specifications prior to putting projects out for bid. The Maintenance Division is also able to respond to unforeseen conditions without triggering new design requirements and change orders.[5] With the addition of a 2nd pile crew, the Port's Maintenance Division expects to complete the following projects in FY 2013-14: completion of repairs at Wharf J-7; removal of the ghost piles at Pier 64 and the construction of a bird nesting platform; repairs to the Pier 94 fenders, and repairs to Pier 92. The second crew will complete critical Wharf J-9 repairs in FY 2014-15. Without the 2nd pile crew, the repairs to Wharf J-9 would not be completed in the two year time frame and Pier 92 work would be scheduled a year later in FY 2014-15. If the Port were to contract out, completion of Wharf J-9 by the end of FY 2014-15 would require additional costs of between $4 and $5.6 million.

While the Port has an existing pile repair staff, comprised of 11 pile workers, an additional crew will allow for (i) succession planning, and (ii) the ability to address preventative maintenance projects and tackle the backlog of critical large pier repair projects over the next few years. The Port's existing crew is already fully programmed for needed work at Pier 64, the Pier 94 fenders and Wharf J7. If approved, in FY 2013-14 the additional crew will address Pier 92, which is estimated to take approximately a year to complete and is a valuable revenue-generating resource to the Port. Depending upon the type of material used for replacement piles, this effort may also require a second dive crew in FY 2014-15 to wrap newly installed wood piles to protect them and ensure the longevity of the piers. Notably, the proposed second pile crew will be capital project funded and project exempt, such that the second crew will sunset when the backlog of under pier capital projects are addressed.

Table 6: Total Available Funding for Pier Structure Repair Projects

Expenditures	Existing Funding	Proposed 2013-14	Total Funding
Wharf J-7*	$ 86,500	$ -	$ 86,500
Pier 92 Repairs*	$2,000,000		$ 2,000,000
Pier 94 Fenders*	$ 300,000		$ 300,000
2nd Pile Driving Crew	$ -	$732,000	$ 732,000
	$ 2,386,500	$ 732,000	$ 3,118,500

* Assumes the cost of materials and supplies only. Port labor costs to perform the projects is listed separately.

Pier 35

The funding recommendation for the Pier 35 Project is $3.0 million, which is $1.9 million more than the $1.1 million that was previously approved. The additional funds will complete critical repairs to the pier substructure that are necessary in order to keep the facility operational. In FY 2011-12, through supplemental appropriations, the Port

[5] Another consideration is the Port's flexibility to redeploy staffing to other projects if there are project delays due to unforeseen conditions.

reallocated almost all of the 2010 Revenue Bond project funding from the Pier 35 project to the Pier 27 cruise terminal project in order keep the project on schedule for a substantial completion date of March 1, 2013. Port staff now desires to restore these funds to the Pier 35 project.

Roof Repair Project

The funding recommendation for the Roof Repair Project is $1.7 million, which is $1.4 million more than the $0.35 million that was previously approved. These funds will finance a new roof on the south side of the Pier 35 shed and repairs to the roof deck and roof drainage system. The roof has deteriorated at a faster rate than anticipated and is causing damage to the superstructure. Port staff considers this a high priority project due to the damage that is being caused by water intrusion into the building.

Port ADA[6] Requirements

The funding recommendation to meet Port ADA Requirements is $0.3 million, which is $0.2 million more than the $0.1 million that was previously approved. These monies will fund an in-depth survey and assessment of all of the Port's exit doors for compliance with egress and ADA requirements. The additional funds will also allow the Port to begin the repairs and modifications of doors that are found to be non-compliant.

A complete list and descriptions of the projects receiving funding for FY 2013-14 are provided in Exhibits II and III. The recommended revisions to the Capital Budget overwhelmingly address critical need facilities that, without immediate intervention, will become unsafe and unusable.

SOUTH BEACH HARBOR

While only technical budget changes are being proposed with regard to the South Beach Harbor and Marina, Port Staff believe that it is appropriate to update the Port Commission on the status of this budget and relationship to the Port.

The approved FY 2013-14 budget for the South Beach Harbor was set after Assembly Bill 26 dissolved Redevelopment Agencies and defined successor agencies as the city and/or county. This resulted in a merger of interest which effectively terminated the South Beach and Rincon Park leases between the Port Commission and the Redevelopment Agency. As a result, the approved budget reflected the Port assuming all the revenues and expenses of the South Beach Harbor operation.

However, in June 2012, the California Legislature adopted legislation amending AB 26, known as Assembly Bill No. 1884. This changed the definition of successor agency such that the successor agency is a separate public entity from the city and/or county that provides for its governance. This meant that leases between the Port Commission and the Redevelopment Agency did not terminate by operation of law. The Successor Agency, renamed the Office of Community Investment and Infrastructure (OCII), cannot transfer the revenue bond obligations and the related South Beach improvements to the

[6] Americans with Disabilities Act (ADA) projects.

Port until the debt obligation is fully paid off in December of 2016. Port and OCII staff have been negotiating a Memorandum of Agreement (MOA) to terminate the leases, with the exception of South Beach Harbor. The draft MOA, which is subject to approval by the Port Commission and OCII Commission, designates the Port as the management operator for South Beach Harbor through FY 2016-17. Thereafter, the lease would terminate and the Port would own and operate the South Beach Harbor. Between FY 2012-13 and FY 2016-17, the Port would collect all revenues to pay non-salary operating expenses, and the OCII would use remaining revenues to pay employee and debt service costs. Port staff will make technical corrections to the FY 2013-14 budget to reflect the MOA once approved by all parties. It is anticipated to be reviewed by the Port Commission following review by the OCII Commission. These technical changes should not impact the overall appropriation to the South Beach Harbor project.

CONCLUSION

The Port's proposed changes to the FY 2013-14 Operating and Capital Budget reflect a $4.3 million (4.2%) change to the approved budget for FY 2013-14. The budgetary growth addresses citywide adjustments to salary and fringe rates and allows for additional resources to support capital enhancement as well as repair and replacement projects. Port Staff projects improved availability of Operating Revenue and Fund Balance that support the additional costs. Above all, the changes in the budget reflect the Port's priority to complete the Cruise Terminal project and stem the deterioration of select Port infrastructure.

Comments, input and feedback from the Port Commission and the public are welcomed and appreciated. Port staff will continue to fine-tune these line items and return to the Port Commission for final review and approval of this biennial budget at the February 26, 2013 meeting.

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For:	Elaine Forbes, Deputy Director Finance and Administration

Exhibit I – Capital Project Budget Change Overview for FY 2013-14
Exhibit II – Capital Project Budgets details
Exhibit III – Scoring Criteria for Port Capital Project Funding Requests

EXHIBIT I

	Previously Approved Funding	Current Proposed Funding	Variance
Capital Project Budget Change Overview for FY 2013-14			
Northeast Waterfront:			
Pier 35 Substructure Repair Project	1,100,000	3,000,000	1,900,000
Southern Waterfront:			
Pier 70 Infrastructure Study	200,000	200,000	
Southern Waterfront Greening/Beautification Improvements	150,000	150,000	
Southern Waterfront Open Space Enhancements/Alternative Energy	550,000	550,000	
Pier 80,92,96 Rail Track Project	100,000	100,000	
Portwide Projects:			
Emergency Capital Project Fund	502,776	502,776	
Dredge Materials Testing FY 2013-14 Program	750,000	750,000	
Maintenance Dredging FY 2013-14 Program	3,200,000	3,200,000	
Port ADA Transition Plan	100,000	300,000	200,000
Pier Structures Repair Project, Phase II	1,150,000	732,000	(418,000)
Utilities Project	2,690,000	2,690,000	
Roof Repair Project	350,000	1,725,224	1,375,224
Leasing Capital Improvement Project	100,000	100,000	
Total Proposed Project Funding	**$10,942,776**	**$14,000,000**	3,057,224

CAPITAL PROJECT BUDGETS
(Port Operating Fund Balance)

Project Name	Previously Approved FY 2013-14	Current Proposal FY 2013-14	Description
Pier 35 Substructure Repair Project	$1,100,000	$3,000,000	This project provides funding for needed repairs to the substructure of Pier 35. Included in the scope of this project is repairing pilings, beams, girders and slab panels. Completing these repairs is needed in order to keep the Pier 35 facility operational over the next 10 years. As part of its approval of the FY 2013-14 capital budget on February 28, 2012, the Port Commission approved $1,100,000 in funding for this project. This represented a partial restoration of project funding necessitated by the reallocation of $2,269,040 in 2010 Revenue Bonds from the Pier 35 substructure repair project to the Pier 27 cruise terminal project. The reallocation was required in order to keep the cruise terminal construction project on schedule. Port staff has now determined that certain critical repairs need to be completed relatively soon in order to keep the facility operational. As a result, Port staff is recommending an additional $1,900,000 in funding be provided in order to complete these repairs.
Pier 70, Infrastructure Study	$200,000	$200,000	Following an extensive public planning process, the Port published its Master Plan for the Pier 70 area in April 2010. The Master Plan balances ship repair activities, new waterfront parks, rehabilitated historic buildings, and new development opportunities over the 69-acre area. Several implementation efforts are underway including working with the ship repair operator, seeking developers for historic buildings, initial park improvements, and a 25 acre development project. This project provides funding for a comprehensive study and design of the infrastructure systems at Pier 70. The infrastructure systems (roadways, water, sewer, electrical and storm water) will all need to be built or rebuilt in order to support a reuse of the site. A study is needed to determine the existing infrastructure, design appropriate systems to support the planned reuse of the site, develop cost estimates, identify infrastructure financing mechanisms, and to develop a model to equitably allocate costs across future users. By developing the infrastructure design and cost estimates itself, rather than relying on potential developers to accomplish these tasks, the Port can expedite the project approvals and reduce development uncertainty, thereby reducing the overall project costs, and improving the Port's expected financial return.

CAPITAL PROJECT BUDGETS (cont.)
(Port Operating Fund Balance)

Project Name	Previously Approved FY 2013-14	Current Proposal FY 2013-14	Description
Southern Waterfront Greening/Beautification Improvements	$150,000	$150,000	This project provides funding for greening and beautification projects and related improvements for sites located in the Southern Waterfront. On November 17, 2007 the Port Commission adopted a policy that established a Southern Waterfront Community Benefits and Beautification Fund, and a funding mechanism consisting of a revenue set aside from the collection of rent generated by new leasing in the area. To date, $530,000 in funding has been provided for this project. $150,000 is now needed to cover the Port's expected obligation generated by projected leasing activity in FY 2013-14. Projects to be funded by this project include: i) a bike and pedestrian improvement pilot project for Cargo Way, ii) public art for the silos at Pier 90; ii) interpretative signage within the Pier 70 project area; and iv) Port tenant and wayfinding signage for Pier 90 – 96. Funding is also provided for other greening and beautification projects for the Southern Waterfront as needed. The improvements funded by this project will contribute to the quality of life for visitors and residents that live in communities that are adjacent to the Port's property in the Southeast part of San Francisco.
Southern Waterfront Open Space Enhancements and Alternative Energy	$550,000	$550,000	This project provides funding for the development of new open spaces and improvements to existing open spaces located within the area of the Southern Waterfront that is the focus of the Port's Blue-Greenway planning process. Project funds may also be utilized to support alternative energy projects that meet guidelines outlined in the Port's lease agreement with Transbay Cable. Funding provided by the project for FY 2013-14 will be used to supplement funds provided by the 2008 Clean and Safe Neighborhoods Park G.O. bond for the design and construction of improvements at Crane Cove park.
Piers 80, 92, 96 Rail Track Maintenance and Upgrade Project	$100,000	$100,000	This project funds the repair and/or replacement of deteriorated railroad track at Piers 80, 92, and 94-96. Funding is also provided for consultant studies, as well as the engineering and construction of additional rail links to these facilities and other rail improvements. Recent studies performed by a railroad consultant indicate that improvements to the rail track system at Pier 80, and 94-96 are needed in order to improve the versatility and productivity of these facilities. In addition, failure to maintain the Port's rail trackage can ultimately lead to track failure and derailment of locomotive and flat cars and an associated disruption to the Port's cargo business.

CAPITAL PROJECT BUDGETS (cont.)
(Port Operating Fund Balance)

Project Name	Previously Approved FY 2013-14	Current Proposal FY 2013-14	Description
Emergency Capital Project Fund	$502,776	$502,776	This project provides funding for unforeseen capital projects which are of an urgent or emergency nature. Emergency projects are those that: (i) adversely affect health and safety if not done immediately; (ii) are required by law to be completed immediately; or (iii) will have a serious adverse impact on Port assets if not done immediately. Funding is also provided for disaster response and recovery. $500,000 in funds from this project were used to pay for the costs on an emergency response and shoring of the Pier 29 bulkhead necessitated by a fire at that facility on June 20, 2012. The FY 2013-14 funding will replenish the emergency capital project fund. Not having sufficient available appropriated funding to address disaster response and recovery, and emergency projects in a timely manner could have a serious negative impact on the Port and its operations.
Dredge Materials Testing – FY 2013-14 Program	$750,000	$750,000	This project will fund the testing of sediments to be dredged for chemical and biological contaminants. This project supports the Port's dredging activities scheduled for FY 2013-14. Environmental regulations require chemical and biological testing of the sediments in any area to be dredged in order to determine the amount (if any) of contaminants in the soil. Results of the testing are used to determine the proper disposal site.
Maintenance Dredging – FY 2013-14 Program	$3,200,000	$3,200,000	This project will fund the Port's dredging activities scheduled for FY 2013-14. It will fund dredging at Piers 27, 35, 80, and 92, the Islais Creek Channel, and other berths as needed. Maintenance dredging is necessary for the continued operation of Port maritime facilities. Dredging keeps berths and channels at navigable depths, including sites where the Port has contractual obligations with shipping lines and operators.
Port ADA Transition Plan – Add'l Funding	$100,000	$300,000	This project provides funding for physical improvements to the Port's public facilities to make them accessible to the disabled. To date, $2,376,416 has been appropriated for this project; almost all of which has been either expended or committed for specific ADA projects. Port staff is recommending that an additional $200,000 in funding be provided for repairs and modifications to the exit doors at various Port facilities. Funds would be used to conduct an in depth survey and assessment of all of the Port's exit doors for compliance with egress and ADA requirements. Funding would also be available to begin the repair and/or modification of those doors identified as been non-compliant. The remaining doors identified as being non-compliant will be repaired or modified in the future as funding becomes available.

CAPITAL PROJECT BUDGETS (cont.)
(Port Operating Fund Balance)

Project Name	Previously Approved FY 2013-14	Current Proposal FY 2013-14	Description
Pier Structures Repair Project, Phase II - Add'l Funding	$1,150,000	$732,000	This project funds engineering, permitting, inspection and repair of, or improvements to, the Port's deteriorated pier structures including substructures, superstructures, and marginal wharfs. Funds are also provided for labor and equipment as needed. To date, $10,167,000 has been appropriated for this project; almost all of which has been either expended or committed for various pier repair projects. Proposed funding for FY 2013-14 is for the hiring of seven additional pile workers to staff a second pile driving crew. A second pile driving crew will permit the Port to reduce its current backlog of pier repair capital projects. The proposed funding for FY 2013-14, along with existing available monies from the pier repair fund and the America's Cup funds will provide the Port's Maintenance Department with the resources to undertake the following projects in FY 2013-14: (i) Pier 92 repairs, (ii) Pier 94 fender project, (iii) completion of repairs started at Wharf J-7, (iv) Pier 64 pile removal, and (v) Pier 19 North Apron. Funding is also be available for the repair of pier structures at other facilities as needed. Although the current proposed funding for the Port's pier structures repair project is less than the prior Commission authorization, when funding for the repairs to the Pier 35 substructure are factored in, total recommended funding for the repair of Port piers has actually increased as compared to funding levels approved by the Port Commission at their February 28, 2012 meeting.
Utilities Project – Add'l Funding	$2,690,000	$2,690,000	This project provides funding for necessary utility repair and capacity related improvements to the utility infrastructure servicing various Port facilities. Utilities include electric power, lighting, telephone, gas, HVAC, electronic security, water, sewer and drainage service. This project also funds fire system certification, and needed repairs and improvements to fire and alarm systems at various facilities. Also included is funding for labor and equipment as needed to facilitate the repairs. Since FY 2003-04, $3,637,000 has been appropriated for this project; almost all of which has been committed for specific utility projects.

CAPITAL PROJECT BUDGETS (cont.)
(Port Operating Fund Balance)

Project Name	Previously Approved FY 2013-14	Current Proposal FY 2013-14	Description
Utilities Project			Additional funds are now needed for: i) improvements to the electrical service and distribution system at Pier 50, ii) repairs to the electrical distribution system at Hyde Street Harbor, and iii) repairs to the underpier utilities at several Port facilities. Funding provided will also be available for utility-related repairs at other facilities as needed. As the result of a significant water leak at Pier 15 that occurred in 2009, the Port is under an order from the Regional Water Quality Control Board to repair and/or replace failing water and sewer utilities under its piers. To begin the process, $2,390,000 of the $2,690,000 in funding for FY 2013/14 will be allocated to addressing its underpier utility needs, including the replacement of the water and sewer lines at Pier 9.
Roof Repair Project.	$350,000	$1,725,224	This project provides funding for the (partial and full) replacement of, and repairs to, the roofs and related roofing systems of the Port's buildings and sheds in order to stop water infiltration. Funding provided by this project will be allocated for repairs to roofing systems at other facilities as needed, as well as for labor and the cost of equipment as needed to facilitate the repairs On-going leaks contribute to dry rot of wooden structural components and potential liability claims. Dry rot, in turn, leads to the deterioration of the structural integrity of the affected Port facilities, which over time will require major structural repairs at a much higher cost. As part of its approval on February 22, 2011 of the FY 2011-12 capital budget, the Port Commission approved defunding $752,714 from this project with the understanding that funding would be restored at a later date. On February 28, 2012, as part of its approval of the Port's two year capital budget, the Port Commission approved restoring $350,000 of these funds in FY 2013-14. Port staff is now recommending that funding for FY 2013-14 be increased to $1,725,224 in order repair the roof at Pier 35, and damage to the building caused by the intrusion of water into the South side of the shed for the past several years.

CAPITAL PROJECT BUDGETS (cont.)
(Port Operating Fund Balance)

Project Name	Previously Approved FY 2013-14	Current Proposal FY 2013-14	Description
Leasing Capital Improvement Project – Add'l Funding	$100,000	$100,000	As part of lease negotiations with Port tenants, or potential tenants, it is sometimes necessary for the Port to make certain improvements to a facility in order to conclude lease negotiations. This project provides funding for capital improvements needed as part of the leasing process. Improvements financed may include, but are not limited to, electrical and plumbing upgrades, roof repairs, HVAC, structural improvements, ADA upgrades, paving, and fencing. To date, $1,650,000 in project funds have been provided for urgent repairs to Pier 19-23 and site improvements to parcels located in the backlands area of the southern waterfront. $100,000 in additional funding is now needed to fund capital improvements that may be needed in FY 2013-14 at various facilities as part of the leasing process. Leasing activity that may likely benefit from capital improvement funded by the project include the leasing of office space at Pier 50, SWL 345, potential office and retail space at Pier 33 North, and the retail space once occupied by the former Jelly's Restaurant.
Total Proposed Project Funding	$10,942,776	$14,000,000	

Exhibit III

Scoring Criteria for Port Capital Project Funding Requests

The first set of "evaluation" criteria used by the Capital Plan Working Group to score capital project funding requests submitted by the Port's divisions address public safety and the Port's mission, as set out in the Burton Act and Transfer Agreement of 1969. The funding requests were scored in increments of five points, up to the maximum specific to each criterion, as follows:

Review Criterion	Maximum Score
Does the project address a code or regulatory issue?	20
Does the project significantly reduce potential liability to the Port?	15
Does the project promote commerce, navigation or fisheries?	10
Dees the project attract people to the waterfront?	10
Does the project protect natural or cultural resources?	15

The second set of evaluation criteria used evaluates the payback period and the return on investment of those capital projects that would bring in additional revenue and/or reduce Port operating costs. The first criterion is intended to capture the efficiency of the investment, the second criterion, the scale of the financial impact. These criteria were scored for each project in increments of five points as follows:

Review Criterion	Maximum Score
What is the payback period, if 10 years or less	10
What is the total 10-year financial benefit to the Port?	20

Finally, all projects were reviewed to determine if they fell into one or more of the four major categories listed below. The Capital Pan Working Group determined that a project belonging to one of these groups was worthy of separate consideration either before or after other projects, depending on the category.

Prioritization Category

Is the project required to address an emergency, defined as an immediate threat to human health or the environment?

Is the project legally mandated by a regulatory order or legal judgment?

Is the project substantially matched by outside funding sources?

De-prioritization Category

Is the project non-revenue generating and does it have less than 25% in outside matching funds?

PORT OF SAN FRANCISCO

MEMORANDUM

February 7, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer
Executive Director

SUBJECT: Informational presentation on the Port's 10-Year Capital Plan, FY 2014-2023

DIRECTOR'S RECOMMENDATION: Informational Item – No Action Required

Background

The Port first prepared a 10-Year Capital Plan in 2006 which it has updated and augmented in each year since. In 2005, the Board of Supervisors, in Administrative Code section 3.20 mandated the creation of a citywide 10-year capital plan and the Port's own 10-Year Capital Plan became a part of the City's Plan. Each year, following approval by the Port Commission, the 10-Year Capital Plan is submitted to the City's Capital Planning Committee for inclusion in the City plan. The Capital Planning Committee reviews and recommends the City plan to the City Administrator who in turn submits the plan to the Mayor and the Board of Supervisors. In 2011, the City's Capital Planning Committee instituted an amendment to Section 3.20 of the Administrative Code shifting the requirement that this be done every two years in keeping with the City's biennial budget practices.

Overview of Changes to the 2014-2023 10-Year Capital Plan

This report presents the Port of San Francisco's 10-Year Capital Plan for Fiscal Years 2014–2023. The Port produced its first 10-year outlook of its capital needs in 2006 which provided a complete inventory of every property or facility under the Port's jurisdiction. As reflected then and in this current update, existing and projected funding falls short; the 2014-2023 Capital Plan identifies funding to address approximately 18% of need (24% of need when considering only non-seismic costs). The 2014-2023 Capital Plan identifies the following projected needs and planned enhancements along the Port's 7½ mile jurisdiction:

THIS PRINT COVERS CALENDAR ITEM NO. 12B

2014-2023 10-Year Capital Plan (*in millions*)

	Amount of Identified Work
Needed State of Good Repair	$1,590.2
Conditional Seismic	449.6
Planned Capital Enhancement	697.2
TOTAL addressed in this Plan	$2,737.0

The FY 2014-2023 update of the Port's 10-Year Capital Plan identifies a total need of just over $1.59 billion (excluding approximately $450 million in conditional seismic work), primarily for deferred maintenance and subsystem renewal work required on Port facilities. This $1.59 billion in need is approximately $171 million less than the approximately $1.76 billion (excluding conditional seismic work) identified in the Port's FY 2013-2022 update.

This change is largely made up of:

1. the addition of the 4% annual cost escalation used by the City and County of San Francisco (CCSF), which has been incorporated into this Plan;

2. the inclusion of a new year (FY 2023) in this Plan, where most of the FY 2013 unfunded costs became a part of the Port's backlog; and

3. substantial downward adjustments resulting from removal of capital enhancement projects from the Port's need assessment.

The remaining difference is a result of the removal of completed projects and many small adjustments to cost estimates over the past year, many of which are offsetting.

A summary of the changes over the last year is as follows:

Changes in Dollars (*in millions*)

FY 2013-2022 Total (including potential seismic costs)	$2,210.5
4% Cost Escalation	70.4
Roll in of Estimated FY 2023 Renewal Costs	40.2
Reclassification of Legacy Capital Enhancement Projects	(155.0)
Formal Identification of Seismic Work as Conditional	(449.6)
Adjustments (completed work, revised estimates, technical adjustments)	(126.3)
Total (exclusive of conditional seismic costs):	$1,590.2

The 2014-2023 Plan of Finance includes a 10-year plan to fund $1.07 billion in state of good repair and Capital enhancement work over the ten years of this Plan from the following sources:

- $241.1 million from Port tenant obligations;
- $97.2 million from the Port's annual operating budget;
- $17 million from revenue bond proceeds;
- $5 million from development projects;
- An estimate of $500 million from Infrastructure Financing District (IFD) bond proceeds to fund infrastructure improvements at major development project sites;
- $29.1 million from General Obligation bond proceeds and proceeds of other City debt instruments;
- $74 million from state funding sources associated with the Downtown Ferry Terminal Expansion project;
- $68.7 million from multiple federal agencies including the Federal Transit Administration, the United States Army Corps of Engineers and Department of Defense;
- $39.4 million from a mixed financing package funding the Pier 27 Cruise Terminal; and
- Additional sources that may become available through transferable development rights.

Major capital focuses of the Plan include: San Francisco's eastern seawall, the Under Pier Utility Infrastructure Program, the new cruise terminal at Pier 27, as well as revenue bond and general obligation bond funded projects. To sustain the related Plan of Finance, the Port must pivot quickly to repurpose piers that are used for the 34th America's Cup and move forward with new and enduring revenue programs.

Conclusion

Since the first Plan in 2006, the Port has used this document to guide a total in investment of nearly a quarter-billion dollars in non-developer funding. Still, a persistent gap remains between the Port's available resources and ever growing need. It is a clear challenge, but one the Port has demonstrated it has the fortitude as an institution to meet. While this Plan is a forward looking document, it is our history of continual improvement that has generated opportunity for growth, and leveraged even greater opportunity. This Plan was integral to the Port's issuance of its revenue bonds as well as to the submittal and award of the City's bid to host the 34th America's Cup. It provides a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences in the press.

As a road-map, the Plan has enabled stronger application for Federal grant funding, and stronger footing for inclusion in future City-sponsored general obligation bonds. As a demonstration of the growing inadequacy of private equity alone to address the Port's capital infrastructure needs, the Plan served a vital role in supporting legislative changes to the Port's ability to develop Pier 70.

The waterfront has seen a series of transformative events since the Loma Prieta earthquake in 1989: the removal of the Embarcadero Freeway, the Embarcadero Roadway project, the opening of AT&T Ballpark and the world-class Ferry Building rehabilitation project, among others. Port staff is confident that the 34th America's Cup will stand with these other achievements as a major inflection point in the transformation of the San Francisco waterfront, and that the 10-Year Capital Plan will continue to stand as a steady guide through this part of the Port's continuing evolution.

In the historic context of development along the waterfront in support of the Port's mission, no capital improvement stands out more than construction of the new cruise terminal at Pier 27. On the advent of the Port's 150th anniversary, this long-envisioned, new bedrock to Port operations identifies San Francisco as a city hospitable to the cruise industry and as a custodian of the public trust, facilitating visitors to our great city.

Continued success will require continued vigilance in the search for new resources and a continuation of the Port's very successful partnering with other City staff. Mayor Edwin M. Lee has repeatedly demonstrated his commitment to the Port's efforts, and the Port staff is excited to be a part of the team that will deliver the 34th America's Cup in 2013.

Next Steps

Port staff will return to the Port Commission at its February 26, 2013 meeting for further discussion or adoption.

Prepared by:

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Attachment: Port of San Francisco 10-Year Capital Plan FY 2014-2023

Port of San Francisco

10-Year Capital Plan

FY 2014-2023

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I. Executive Summary

This report presents the Port of San Francisco's 10-Year Capital Plan for Fiscal Years 2014 – 2023. The Port produced its first 10-year outlook of its capital needs in 2006 which provided a complete inventory of every property or facility under the Port's jurisdiction. As reflected then and in this current update, existing and projected funding falls short; the 2014-2023 Capital Plan identifies funding to address approximately 18% of need (24% of need when considering only non-seismic costs). The 2014-2023 Capital Plan identifies the following projected needs and planned enhancements along the Port's 7½ mile jurisdiction:

2014-2023 10-Year Capital Plan (in *millions*)

	Amount of Identified Work
Needed State of Good Repair	$1,590.2
Conditional Seismic	449.6
Planned Capital Enhancement	697.2
TOTAL addressed in this Plan	$2,737.0

Increasingly, the more important aspect of the capital planning process is to take stock of the trials and opportunities that emerge, the public discussions and ideas expressed about what is important for the safe enjoyment and improvement of the waterfront. The San Francisco waterfront is many things to many people, which reveals a thicket of competing public demands that sometimes are in conflict. The Waterfront Land Use Plan is the Port Commission's adopted planning document that provides the policy framework to guide the sensitive balance and investment of precious capital plan resources.

As is reflected in this update, many changes are underway: the opening of The Exploratorium at Pier 15 in April 2013; the sailing regattas and events leading to the 34th America's Cup in Summer 2013; the completion of major waterfront parks and shoreline improvements in Fisherman's Wharf, South Beach, Mission Bay and Bayview Hunters Point; and the construction of the James R. Herman Cruise Terminal and Northeast Wharf Plaza at Pier 27. Whether by fate or luck, it is a happy coincidence that the public also will celebrate the Port of San Francisco's 150th Anniversary starting in April 2013.

In the midst of these changes, the choices for future waterfront improvements increasingly become matters for City discussion, not solely Port Commission deliberation. The resources required to improve Port assets rely on City, State, and/or Federal partnerships and coordination.

Because Port capital needs exceed resources, the projects and investments prioritized in the 10-Year Capital Plan have been guided by criteria and considerations that include:

- Basic repairs and improvements to maintain facilities and generate revenue;
- Infrastructure improvements, including the seawall;
- Maritime improvements;
- Parks and public open space; and

- Strategic waterfront investments that leverage private investment along the waterfront.

This report includes a discussion of the Port's major strategic initiatives that are related to the 10-Year Capital Plan. These include:

- The Seawall, tidal flooding and sea level rise.

- Port-BCDC planning studies to fulfill the requirements of the BCDC Special Area Plan Amendments the Port sought for the Pier 27 Cruise Terminal. These include a location for a new "Open Water Basin" along San Francisco and eliminating the Replacement Fill or "50 Percent Rule" Policy in Fisherman's Wharf which is an obstacle to seismic improvements to structures over water in Fisherman's Wharf.

- Under pier utility infrastructure to address the Port's under pier utility infrastructure needs in response to a Regional Water Quality Control Board issued Notice-of-Violation.

- 34th America's Cup properties may be returned to the Port's portfolio six months after the races. If the 35th America's Cup is not defended in San Francisco, the Port must be ready to undertake new leasing of these properties to private parties. While the current investments the Port has undertaken at these locations has made them ready for Event Authority use, further capital improvements may be required at these sites to allow a future change of use.

- Inter-divisional Port planning to devise a leasing and capital improvement strategy for the Piers 90-96 Maritime Terminal Improvement, in part to capitalize on significant federal funding for rail improvements serving this area.

- Pier repair priorities to keep piers from closing and provide safe egress and maritime and public access.

- Public-private partnerships at locations previously designated by the Port Commission and the Waterfront Land Use Plan for mixed-use development.

Consistent with the vision of the Waterfront Land Use Plan, public private partnerships continue to be major drivers of waterfront upgrades. Port staff is currently working with the Office of Economic and Workforce Development on the Golden State Warrior's proposed Multi-Purpose Venue at Piers 30-32 and SWL 330, the Seawall Lot 337 Associates, LLC mixed use neighborhood comprising SWL 337 and Pier 48 immediately south of AT&T Ballpark, and the Forest City California, Inc. mixed use neighborhood at the 25 acre Waterfront Site at Pier 70. Separately, the Port is working with Orton Development Inc. to rehabilitate the historic buildings along 20th Street at Pier 70 and, pending the outcome of a voter referendum scheduled for November 2013, with Pacific Waterfront Partners to develop the project comprising Seawall Lot 351 and 8 Washington Street.

The 2014-2023 Plan of Finance includes a 10-year plan to fund $1.07 billion in state of good repair and capital enhancement work over the ten years of this Plan from the following sources:

- $241.1 million from Port tenant obligations;
- $97.2 million from the Port's annual operating budget;
- $17 million from revenue bond proceeds;
- $5 million from development projects;
- An estimate of $500 million from Infrastructure Financing District (IFD) bond proceeds to fund infrastructure improvements at major development project sites;
- $29.1 million from General Obligation bond proceeds and proceeds of other City debt instruments;
- $74 million from state funding sources associated with the Downtown Ferry Terminal Expansion project;
- $68.7 million from multiple federal agencies including the Federal Transit Administration, the United States Army Corps of Engineers and Department of Defense;
- $39.4 million from a mixed financing package funding the Pier 27 Cruise Terminal; and
- Additional sources that may become available through transferable development rights.

Major capital focuses of the Plan include: San Francisco's eastern seawall, the Under Pier Utility Infrastructure Program, the new cruise terminal at Pier 27, as well as revenue bond and general obligation bond funded projects. To sustain the related Plan of Finance, the Port must pivot quickly to repurpose piers that are used for the 34th America's Cup and secure new and enduring revenue programs.

This Plan will continue to evolve, as the long journey ahead of the Port will, from time to time, bring new and unexpected challenges. The waterfront has seen a series of transformative events since the Loma Prieta earthquake in 1989: the removal of the Embarcadero Freeway, the Embarcadero Roadway project, the opening of AT&T Ballpark and the world-class Ferry Building rehabilitation project, among others. Hosting the 34th America's Cup in the newly constructed international cruise terminal during the Port's 150th year will stand out as a year like none other.

The level of coordination between Port staff, the Mayor's Office, the Board of Supervisors and numerous City departments that has unfolded over the last year during preparations for the America's Cup has been particularly welcome. Port staff has enjoyed working as part of a broader City team to deliver on an economic development project of City-wide significance. That effort continues as the Port works with the Office of Economic and Workforce Development to deliver a series of projects that will enhance the San Francisco Waterfront – particularly south of Mission Creek, in ways that few residents can imagine. Port staff hopes that those efforts strengthen the Port's balance sheet in a manner that will enable it to tackle the next capital challenges the Port will no doubt face.

II. Introduction

This report presents the Port of San Francisco's 10-Year Capital Plan for Fiscal Year 2014 – 2023. The 10-Year Capital Plan is updated annually and provides the public a comprehensive inventory and reporting about the Port's facilities and operations, current conditions and capital needs, and available and projected capital resources over the next 10 years. It is a very important reference document that supports and guides capital expenditure and investment decisions by the Port Commission and staff, and also is included as a chapter of the 10-Year Capital Plan of the City and County of San Francisco.

The Port produced its first 10-year outlook of its capital needs in 2006. At the time, perhaps the most significant achievement was that it provided a complete inventory of every property or facility under the Port's jurisdiction, a 7½ mile stretch of piers, wharves and upland properties along San Francisco Bay, from Fisherman's Wharf to India Basin in Bayview-Hunters Point. The Port went through a laborious process to characterize the general condition of facilities and estimated costs for capital repairs and improvement, based on the best available information. This, together with a reporting of the various existing and projected sources of funding or financing enabled the public to understand for the first time the type and magnitude of need along the waterfront, and the relatively limited resources available to the Port to address them. As reflected then and in this current update, existing and projected funding falls short; the 2014-2023 Capital Plan identifies funding to address approximately 18% of need (24% of need when considering only non-seismic costs).

Each year, the Capital Plan updates have incorporated new or refined information to maintain the best estimates of the Port's capital needs. But increasingly, the more important aspect of the capital planning process is to take stock of the trials and opportunities that emerge, the public discussions and ideas expressed about what is important for the safe enjoyment and improvement of the waterfront. The San Francisco waterfront is many things to many people, which reveals a thicket of competing public demands that sometimes are in conflict. The Waterfront Land Use Plan is the Port Commission's adopted planning document that provides the policy framework for considering the various public trust, maritime, public access, historic and urban design, environmental, economic and financial, transportation and community values, to guide the sensitive balance and investment of precious capital plan resources.

Notably, the Capital Plan is a document that is subject to more frequent change and adjustment than the Waterfront Land Use Plan. The Capital Plan, like the Port's two-year operating and capital budgets, is subject to revised cost-estimates, changes in City reporting conventions, and new capital needs that are often defined by changes in use to Port property.

III. Strategic Outlook and Key Factors

As is reflected in this Capital Plan update, many changes are underway: the opening of The Exploratorium at Pier 15 in April 2013; the sailing regattas and events leading to the 34th America's Cup in Summer 2013; the completion of major waterfront parks and shoreline improvements in Fisherman's Wharf, South Beach, Mission Bay and Bayview Hunters Point; and the construction of the James R. Herman Cruise Terminal and Northeast Wharf Plaza at Pier 27. Together with AT&T Park, the Ferry Building and the wide variety of small, local-based businesses that lease space at the Port, San Franciscans and Californians alike enjoy a very dynamic, diverse and *public* shoreline that realizes the Port's preeminent goal of reconnecting the city with its waterfront. Whether by fate or luck, it is a happy coincidence that the public also will celebrate the Port of San Francisco's 150th Anniversary starting in April 2013.

In the midst of these changes, the choices for future waterfront improvements increasingly become matters for City discussion, not solely Port Commission deliberation. The Port's facilities are beautiful and iconic, but aging. The resources required to improve them physically or operationally increasingly rely on city, state, and/or federal partnerships and coordination, and a strategic approach to investing Port capital resources in ways that will leverage the most public benefit.

Because Port capital needs exceed resources, the projects and investments prioritized in the 10-Year Capital Plan have been guided by criteria and considerations that the Port Commission believes strike a balance among diverse public interests, respond to basic public safety and environmental needs, and optimize resources that address the Port Commission's fiduciary responsibilities. These include:

- Basic repairs and improvements to existing facilities that support continued leasing and revenue generation
- Infrastructure improvements, including seawall, substructure, and utility repairs that respond to the shared objectives of protecting public safety and improving environmental quality, responsible stewardship of historic resources, and incorporating new technologies that increase sustainability along the waterfront
- Improvements to retain and support San Francisco's diverse maritime industries
- Investments in waterfront parks and public open space that meet public trust needs and acknowledge the increasing role of Port lands in addressing City economic and quality of life objectives
- Strategic waterfront improvement investments that support City policy and capital planning goals and leverage private investment along the waterfront, to increase the potential value and tax revenue proceeds needed to increase revenue resources for the Port's Capital Plan

This report includes a discussion of the Port's legislative initiatives and outreach efforts to expand the understanding about waterfront capital needs and how collaborative partnerships among federal, state and city government can optimize and deliver improvements that meet

multiple agency objectives. These relationships have fostered strategic discussions and identification of additional concerns for the Port waterfront that will dictate further focus this year to inform the next update of the Capital Plan for FY 2015-2024. These include:

The Seawall, Tidal Flooding and Sea Level Rise The Seawall and adjoining marginal wharf[1] that run along The Embarcadero from Fisherman's Wharf southwest to Mission Bay constitute the City's primary flood control system along the Bay waterfront. Collectively, these interconnected structures form the essential foundation of The Embarcadero Promenade. Built in segments from 1876 to 1929, the Seawall was and still is a major engineering achievement, established through the creation of a reinforced rock dyke, supported by concrete and wooden piles. The Port has maintained ongoing efforts to repair the Seawall, which is a contributing historic resource in the Embarcadero National Register Historic District.

These structures continue to function as originally designed. However recent and planned Port construction projects, including the Pier 43½ Bay Trail Promenade and Brannan Street Wharf projects have uncovered aged and damaged elements of the Seawall, which supplement the growing repair demands associated with maintaining the marginal wharf. Increasing concern among state policymakers, including the California State Lands Commission, the San Francisco Bay Conservation and Development Commission and the Joint Policy Committee[2], in addition to knowledge gained through flood risk and sea level rise studies the Port has conducted or has underway, elevate the urgency of developing a City strategy. Port staff have begun the process of consulting with the City Administrator's Capital Planning Committee, the Mayor's Office and the Board of Supervisors regarding a long-range analysis of the condition of the Seawall and marginal wharf, their capacity to withstand seismic events, how these structures and the Port's historic finger piers should be improved to withstand future flood risk, and what guidance the City should give to its major development partners in planning for sea level rise.

As an initiating step at the federal level, in December of 2012, the Port made an official request of the United States Army Corps of Engineers for assistance in studying the condition of San Francisco's seawall. This request, made pursuant to the River and Harbor Act of 1960, as amended, Continuing Authorities Program Sections 103 and 205, will provide the basis for a construction improvement project addressing both structural stability and future sea level rise. The long-range improvements to the City's seawall and marginal wharf require considerable local matching, and will require a coordinated local, state and federal strategy that will need to be reflected in future updates of the Port's Capital Plan. Specifics of these strategies are discussed

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[1] The marginal wharf, or bulkhead wharf, is a piled structure built parallel to the waterfront along the top of the seawall with the purpose of extending a deck over the water to provide berthing for ships along the seawall and as a connection point for the finger piers, which in many cases were built later. The marginal wharf was built in twenty one sections and varies in width and construction, the newer sections being constructed of concrete. The wharf also supports the bulkhead buildings along The Embarcadero.

[2] The Joint Policy Committee is a forum where the three major regional policy entities, which include BCDC, the Metropolitan Transportation Commission and the Association of Bay Area Governments, resolve competing policy objectives in order to provide unified policy guidance to Bay Area local governments, The Joint Policy Committee has been charged by the three agencies with further analysis and public policy guidance to local governments that are exposed to risks of sea level rise.

in the Plan of Finance chapter of this document under the United States Army Corps of Engineers header.

Port-BCDC Planning Studies – In March 2012, the San Francisco Bay Conservation and Development Commission (BCDC) adopted amendments to its San Francisco Waterfront Special Area Plan (SAP) and approved a major permit for the construction of the James R. Herman Cruise Terminal and Northeast Wharf Plaza at Pier 27. The BCDC approval includes off-site public access requirements at Piers 19 and 23 in addition to Piers 27-29, which are included in this 10-Year Capital Plan. In addition, the BCDC approvals require the Port and BCDC to conduct a public process to identify new public benefits that would satisfactorily replace those previously required in the SAP that were precluded by the Pier 27 project (the "Port-BCDC Planning Studies"). These public benefits include a location for a new "Open Water Basin", an expanse of open bay water that would be permanently preserved for public viewing and appreciation of the Bay and public access from the land and water. The creation of Open Water Basins often involve demolition of piers and thus BCDC requires the Port to conduct of survey of its historic piers to assess their condition and costs of rehabilitation which will be considered in evaluating different Open Water Basin options.

The BCDC studies also contemplate future revisions to eliminate the Replacement Fill or "50 Percent Rule" Policy within Fisherman's Wharf, which currently precludes or inhibits seismic and substructure repairs of Port and leased tenant facilities. This policy requires the Port to define a location in Fisherman's Wharf for the creation of a new public plaza and Open Water Basin. Work on the Port-BCDC Planning Studies is underway and will continue through 2013. The issues to be addressed and the public discussions that they trigger through the public process have implications for and will be incorporated into future Capital Plan updates.

Under Pier Utility Infrastructure – This year's Capital Plan presents a more comprehensive strategy for addressing the Port's under pier utility infrastructure needs. In 2009, the Port experienced a water leak at Pier 15; the Regional Water Quality Control Board (RWQCB) issued a Notice-of-Violation (NOV), directing the Port to develop an infrastructure evaluation work plan and implementation schedule for needed infrastructure improvements. The Port contracted for a survey of under pier utilities; the resulting condition assessment concluded that the water and sewer infrastructure is, in many places, in unacceptable condition and estimated replacements costs could exceed $40 million.

In response to the NOV, the Port devised a strategy for addressing under pier utility problems by grouping piers into categories and assigning responsibility for each category (i.e., tenant, Port, future developer). Where tenants have an obligation under their lease to maintain and repair utilities, they have been advised of the results of the condition assessment and directed to make needed repairs. For those piers that will be utilized for the 34th America's Cup, the Port developed utility improvements to ensure that these piers have sufficient utility capacity to meet the intended use at various locations, and that they adequately address problems identified in the condition assessment. Similarly, as piers are subject to future development, the Port will require development plans to employ innovative technologies, materials, installations, and other techniques that could reduce exposure and improve performance and reliability of water and sewer infrastructure.

For the remaining category of piers, the Port has established a procedure and adopted criteria to determine the priority for addressing those piers for which it is directly responsible for utilities. In addition to condition scoring (1-5), the criteria include factors such as size, prior investments, current or future value, as well as current use and occupancy. In the initial application of these criteria, the Port selected the following priority projects for inclusion in the Capital Plan:

• Wharf J-1 in Fisherman's Wharf	$350,000	FY 2012-13 Capital Budget
• Pier 9 or Northern Waterfront project	2,140,000	FY 2013-14 Capital Budget
• Utility Capital Maintenance	2,500,000	$250,000 annually, FY 2014–23
Total:	$4,990,000	

Wharf J-1

Work at Wharf J-1 in FY 2012-13 involves replacing sewer collection pipes that handle sewer waters from several restaurants along Taylor Street. Work also includes replacing potable water pipes and pipe hangers to ensure a system life of at least 20 years.

Pier 9

Pier 9 or another pier in the northern waterfront will serve as a pilot project for future under pier utility repair and replacement. The replacement design will explore innovative and state-of-the-art solutions to improve the performance and reliability of water and sewer utilities. The design team will analyze alternatives, investigating materials and methods unique to the marine environment, such as plastic pipes, corrosion control, vacuum-assisted pumps, double-walled pipes, and other innovations that would reduce the exposure and resulting failure of plumbing infrastructure.

Design criteria will be used to prepare contract documents for the selection of a qualified contractor to execute the infrastructure replacement. The project includes construction management and oversight services, final inspection and acceptance. Port staff expects the new Pier 9 utility system to be completed around October, 2014.

Utility Capital Maintenance

Based on the condition assessment referenced above, the Port has determined that some utility problems may be addressed more effectively through a capital maintenance program in lieu of or until more extensive development and replacement occurs. The Port's Maintenance Division has initiated an inspection program to examine water and sewer infrastructure on an annual basis, consistent with the Port's permit requirements.

The Maintenance Division has created a scorecard to record observations and assess conditions based on visual inspections. The division has documented a response protocol that will be followed to address the findings from inspections. Work orders will be generated to address detected leaks or critical conditions that pose an immediate threat to water and sewer infrastructure. Non-critical conditions will be documented and scheduled for follow-up inspections on an annual basis.

Properties That May Be Returned by the America's Cup Event Authority – Under the 34th America's Cup Lease Disposition Agreement ("AC34 LDA"), the America's Cup Event Authority ("Event Authority") is occupying numerous piers and other Port properties for periods which vary, but last until six months after the races conclude. These properties include Piers 30-32, 80, 19, 19½, 23, 27, 29, and 29 ½.

If Team Oracle succeeds in defending the 34th America's Cup, and the City and the Event Authority enter a Host and Venue Agreement for a defense of the 35th America's Cup, these properties may be required for that defense. If that is not the case, the Port must be ready to undertake new leasing of these properties to private parties. While the current investments the Port has undertaken at these locations has made them ready for Event Authority use, further capital improvements may be required at these sites to allow a change of use.

At-Risk Facilities - In 2013, the Port's Engineering Division identified seven facilities that, over the course of this 10-year plan, are likely to be closed to any and all use due to structural deficiency (the facilities would be "red tagged"). Unlike the Port's already red tagged facilities, where no existing revenue streams are at risk, the seven structures listed below, if closed, would have significant impacts to the Port's revenues, and thus, ability to fund other capital projects. The Port has prioritized Port capital funds or identified other sources for six of the seven currently operational, at-risk facilities. Those six facilities are:

1. Wharf J9 in Fisherman's Wharf
2. Pier ½ Marginal Wharf
3. Pier 2 Substructure
4. The East and South Aprons of the Agriculture Building
5. Pier 35 Substructure, including the South Apron
6. Pier 92 Apron

The Port has not been able to identify a source for the substantial funds require to keep Pier 54 from being red tagged during the life of this plan. Port engineers estimate that this facility will require $21 million to avoid closure.

The facilities listed below are already red tagged and closed to use. The Port is in the process of evaluating these six facilities to determine potential strategies to fund repairs to these facilities:

1. Pier 31 superstructure
2. Pier 19 north apron
3. Pier 38 north and south aprons
4. Pier 50 Shed B south apron
5. Pier 52
6. Pier 90

Piers 90-96 Maritime Terminal Improvement - This Capital Plan update recognizes the need to refresh the Port's focus on strategic improvements in the Pier 90-94 Backlands and the larger Piers 90-96 maritime terminal in the Southern Waterfront, which comprises the largest unleased area of Port property. The area represents a major opportunity for new revenue production,

which must be managed to recognize and optimize opportunities for maritime shipping and commerce. This is the remaining primary area within City and Port jurisdiction that can support the unique land area, operational and transportation access requirements of this fundamental maritime public trust use. In 2011, the Federal Railroad Administration (FRA) awarded the Port a $3 million grant for signaling and track upgrades to the Quint Street Lead, a one-mile stretch of track that connects the Caltrain main line to the Port of San Francisco Rail Yard on Cargo Way.

The area may face significant transition over time. Recology, the City's permitted hauler and recycling, composting and waste disposal firm, has initiated a planning effort to relocate and consolidate its facilities to Brisbane. Recology currently occupies all of the Pier 96 terminal and surrounding yard space; it is unclear whether Recology intends to relocate this portion of its recycling operation to Brisbane and whether that will occur within the Plan's 10-year horizon.

In 2013, the Port intends to undertake an interdivisional effort to determine leasing and related capital strategies to examine the following:

- Potential large users for the Backlands, such as storage of Caltrain commuter rail cars;
- Maritime opportunities for the Pier 96 shed, should Recology decide to relocate from the site;
- The Department of Public Work's interest in pursuing a private asphalt batching plant in San Francisco, potentially on Port property, to reduce costs for asphalt to repave the City's streets and emissions from truck trips to the Peninsula to obtain asphalt;
- Market demand for paved land on the Backlands, given the new supply of paved land recently vacated by the San Francisco Municipal Transportation Agency; and
- Construction laydown space needs to support large development on the eastern side of San Francisco.

IV. Summary of Changes

As with the FY 2012-21 and FY 2013-22 Plans, this plan contains thematic as well as substantive departures from prior iterations. Substantive revisions are explained throughout. Thematic revisions include changes to the manner of reporting seismic need, and are discussed in greater detail below.

Port Leadership Review

As a new part of the process of constructing this year's Plan, contributors met with the Port Commission President, Executive Director and each of the Port's Deputy Directors to discuss this question: What would make the 10-Year Capital Plan be a better tool for the Port and (in the conversations with the Port's Deputy Directors) for your Division?

The list below represents the result of those consultations, where each conversation was distilled down to a single idea for improvement:

- In an effort to represent the state of the Port's capital portfolio as less unsolvable, reflect the Port's overall capital need in a manner that better distinguishes; between state of good repair, contingent work and enhancement work
- Improve the utility of the 10-Year Capital Plan as a tool for building coalitions with other agencies, enabling implementation of policy that is impractical for the Port to undertake alone;
- Additional level of review and better standardization of the financial scoring criteria utilized to prioritize funds;
- More comprehensive guidance and better standardization of other complex review criteria, in particular, the impact of a project on the Port's relationship with regulatory agencies;
- Look for opportunities for comprehensive rehabilitation of Port facilities solely using Maintenance Division staff - the ability of the Port to do this work in-house was successfully demonstrated during completion of improvements for the 34th America's Cup;
- Maintain five year programming of funds as a living document for easy reference by the Port staff;
- Consider use of the Port's capital funds prioritization process for prioritization of other internal resources, namely, limited project management staff and maintenance crews; and
- Deeper engagement with the Port's Planning Division, where the Capital Plan has been primarily produced out of the Special Projects Group and the Finance and Administration Division.

The Port staff is at various stages of implementing the recommendations above, many of which have already shaped this iteration of the Port's 10-Year Capital Plan. Port staff will continue to

strive toward improving the utility of this document with each revision and look forward to repeating the Port leadership consultations each year going forward.

Annual Revision of 10-Year Need

The FY 2014-23 update of the Port's 10-Year Capital Plan identifies a total need of just over $1.59 billion (excluding approximately $450 million in conditional seismic work), primarily for deferred maintenance and subsystem renewal work required on Port facilities. For purposes of this Plan, "need" is defined as projects required to maintain Port property in a state of good repair, for existing use; in this context, need excludes seismic upgrades (which may or may not be triggered by code requirements) and capital enhancements (such as building new parks along the waterfront). This distinction among different project types is a part of the architecture of the Port's capital modeling software, the Facilities Renewal and Reinvestment Model (FRRM), which is also used by the City to model all General Fund departments' capital needs.

This $1.59 billion in need is approximately $171 million less than the approximately $1.76 billion (excluding conditional seismic work) identified in the Port's FY 2013-2022 update.

This change is largely made up of:

1. addition of the 4% annual cost escalation used by the City and County of San Francisco (CCSF), which has been incorporated into this Plan;

2. the inclusion of a new year (FY 2023) in this Plan, where most of the FY 2013 unfunded costs became a part of the Port's backlog; and

3. substantial downward adjustments resulting from removal of legacy enhancement projects from the Port's need assessment.

The remaining difference is a result of the removal of completed projects and many small adjustments to cost estimates over the past year, many of which are offsetting.

A summary of the changes over the last year is as follows:

Changes in Dollars (in millions)	
FY 2013-2022 Total (including potential seismic costs)	$2,210.5
4% Cost Escalation	70.4
Roll in of Estimated FY 2023 Renewal Costs	40.2
Reclassification of Legacy Capital Enhancement Projects	(155.0)
Formal Identification of Seismic Work as Conditional	(449.6)
Adjustments (completed work, revised estimates, technical adjustments)	(126.3)
Total (exclusive of conditional seismic costs):	$1,590.2

Inclusive of capital enhancement work, the 2014-2023 Capital Plan identifies the following projected needs and planned enhancements along the Port's 7½ mile jurisdiction:

2014-2023 10-Year Capital Plan (in *millions*)

	Amount of Identified Work
Needed State of Good Repair	$1,590.2
Conditional Seismic	449.6
Planned Capital Enhancement	697.2
TOTAL addressed in this Plan	$2,737.0

Seismic Cost Estimation

Since the publication of the Port's first Capital Plan in 2006, the Port has maintained a policy decision to assume as a need all seismic repair even that which exceeds code-driven requirements. In consideration of the fact that many of the Port's structures are 100 years old, the Port's original Plan adopted a standard that all properties should be upgraded to reasonably modern seismic standards, as if they were originally constructed within the last few decades.

In practice, as Port staff have developed capital projects for consideration in the capital planning process, it has become evident that seismic upgrades are triggered by code requirements in defined circumstances:

1. when a proposed change in use contemplates an increase in occupancy of a structure;

2. when a project contemplates upgrades to more than 30% of the vertical load-carrying members of a structure (such as columns in a pier shed or piles supporting a pier); and

3. when a project contemplates upgrades to more than 20% of the horizontal load-carrying members of a structure.

Over the iterations of the Plan since 2006, the major projects that have contemplated seismic upgrades to Port property have been public-private development projects or capital enhancement projects such as park projects.

The City's Capital Planning Committee has provided direction to City departments to report need (defined as projects required to maintain property in a state of good repair) separately from seismic work[3].

[3] The City's modeling of capital needs differs from the Port's in one very important respect, which is related to the fact that only the Port must account for pile supported pier structures. The City's calculation of "need" is entirely centered around renewal of building subsystems at the end of their usable life. As a result, there are no state of good repair projects carried in the City Plan that could trigger a seismic upgrade to the structure in which they are contained. For that reason, the City classifies all seismic upgrade projects as capital enhancements. The Port's modeling of its capital assets is distinct from the City's in that the Port includes structural elements of buildings – the piles and decking of piers. Repair to these pier structure elements will under some circumstances trigger seismic work, so the Port categorizes seismic projects as conditional or caveated need (as opposed to capital enhancement).

To conform to City convention, the FY 2012-2021 Capital Plan instituted a policy of only program funding for seismic work where a change of use or major rehabilitation is taking place, consistent with building code requirements. The FY 2014-2023 plan further distinguishes between the Port's aggregate capital need and capital need inclusive of contingent seismic costs by separating out these seismic costs in top level reporting numbers. Over the next 10 years, that seismic need totals $449.6 million[4].

The seismic work identified in this Plan represents a kind of worst-case scenario in terms of potential impacts to capital expenditure planning. Port engineers believe that a number of the pier and wharf structures along the waterfront may be structurally repaired in a manner that does not trigger seismic work. Additionally, depending on the way in which a given pier was constructed (as nearly all were constructed approximately 100 years ago), costs associated with full seismic upgrade can be prohibitive, where the amortization period for the associated investment would exceed the useable life of the pier (in particular, the cost of mitigating the effects of sea level rise and overtopping of lower elevation piers complicate the economics of investment recovery on these facilities).

Reclassification of Capital Enhancement Legacy Projects

With multiple major development projects under consideration and numerous public works projects underway on the waterfront, the need for separation of enhancement projects from state of good repair projects has become increasingly apparent. Importantly, this refinement will improve the stability of capital need estimates going forward. Estimates for repair and renewal of existing capital may be revised on a periodic basis, but they do not change radically even in the event of major reconceptualization. Estimates for Capital Enhancement projects, on the other hand, vary year over year as major development projects evolve in the way that can occur without impacts such as major development and ensuing capital enhancement.

Reclassification of legacy enhancement projects out of the Port's capital model, FRRM, created an apparent reduction of "need" of just over $155 million. While seemingly a large shift, this was almost entirely the result of reclassification of three sets of projects:

- Park and open space projects
    - Pier 70 and Blue Greenway parks and open space — $59 million
    - Brannan Street Wharf construction — $31 million
    - Pier 27 Northeast Waterfront Plaza — $20 million
- Down Town Ferry Terminal Expansion — $35 million
- Construction of a China Basin Breakwater — $10 million

Elimination of special, one-time enhancement or need projects totaled $56 million, and was a result of removal of completed or no longer needed projects, with the latter largely a result of new information and adaptation to changing circumstances. The single largest of these

[4] This number excludes Pier 70, where the costs for seismic work are rolled into "full rehabilitation" estimates, where seismic-only costs cannot be separated out.

adjustments was elimination of the $25 million rail tunnel expansion project which, due to a number of factors including future electrification, high speed rail, and changing export opportunities for the Port, was no longer reasonably in alignment with Port needs.

New Sources

In additional to changes in total need, the FY 2014-2023 Capital Plan identifies new funding sources, including Infrastructure Finance District bond proceeds, and implements a new approach to valuing Port tenant contributions, which increased available funding.

Increase in estimated IFD Bond Proceeds	$281.0
Increase in estimated value of Port tenant contributions	163.0
Adjusted Total:	$444.0

In previous iterations of this Plan, the Port's estimation of contribution from Port tenants to outstanding capital need included subjective judgments about which tenants to include and which to exclude. The initial estimate was then given a straight line escalation over the ensuing iterations of the Plan. As a part of the process of engaging Port leadership on ways to improve this document, authors of this plan asked Finance and Administration personnel to make an independent review of this methodology.

The product of that review was a purely quantitative process tied to boilerplate reporting out of the Port's capital portfolio database, FRRM. In short, estimates for tenants as a funding source now correspond directly to the Port's estimates for capital need at all facilities categorized in the database as where tenants, through their lease obligations, are responsible for facility maintenance and repair[5].

The end result is a substantial increase in the estimate of tenants as a resource for repairs, roughly tripling the previous estimate, changing the estimate from $78 million to $241 million—an increase of $163 million.

The 34th America's Cup

On December 31, 2010, the City executed the Host and Venue Agreement ("HVA") with the America's Cup Event Authority, LLC, ("Event Authority") the entity charged with planning for and executing the 34th America's Cup on San Francisco Bay in 2013, and the America's Cup Organizing Committee ("ACOC"), a local non-profit charged with raising funds to offset City costs of hosting the Event.

Last year's FY 2013-2022 10-Year Capital Plan projected capital costs associated with 34th America's Cup pre-Match improvements to Port property at a targeted $10.4 million partial rehabilitation at Piers 30-32 funded by the Port through a reallocation of Port revenue bond proceeds and proceeds from issuance of Certificates of Participation (COPs) by the City on

[5] The Port characterizes repairs for facilities where tenants have 10 years or more left on their lease agreement as sourced to tenants, recognizing that short term tenants are unlikely to make major capital investments with little time left to amortize those improvements.

behalf of the Port. The plan also included undertaking improvements at Pier ½ (removal), Pier 19 (south apron repair), Pier 23 (handrail and transformer), Pier 29 (pile repairs), Pier 64 (removal) and dredging at Piers 32-36 and at other sites required for AC34, funded by COPs and Port Capital reprogramming. These projects totaled $8.4 million in work delivered and funded by the Port in FY 2012-13 that the Event Authority would have undertaken using private funding.

By the beginning of this Plan, the start of the 2013-14 fiscal year, all pre-match infrastructure and other facilities improvements required in preparation for the 34th America's Cup will have been completed by the Port. Construction of the James R. Herman Cruise Terminal and Brannan Street Wharf will reach substantial completion prior to America's Cup events, but each project contemplates additional phases of construction after the final matches of the Event. Also following the event, the Port will be completing removal of the remnants of Pier 64 and construction of associated bird habitat improvements.

V. Funding and Expenditure Schedule

Table 3 below, FY 2014-2023 10-Year Spending and Funding Plan, lists sources of funds for state of good repair and enhancement projects, differentiating between secured funding sources and aspirational funding sources (only the former are calculated as offsetting the Port's need). After offsetting with sources, the remaining need—need that is "deferred"-- is listed both with and without conditional seismic costs at $1.66 billion and $1.21 billion, respectively[6]. A detailed breakout of sources and uses for the Port's Pier 27 Cruise Terminal is located in Chapter VI of this Plan, Table 4.

[6] Seismic costs are not excluded from structures at Pier 70, where rehabilitation is estimated differently.

Table 3: FY 2014-2023 10-Year Spending and Funding Plan

	2014	2015	2016	2017	2018	2019-23	Total
Spending Plan							
State of Good Repair							
Emergency Facility Repair	0.1	0.1	0.1	0.1	0.1	0.5	1.0
ADA	0.1	0.1	0.2	1.0	0.2	0.5	2.1
Emerging Needs	0.2						0.2
Dredging	4.0	5.5	5.6	4.8	5.6	29.3	54.8
Repair / Reinvestment	29.4	6.6	47.4	9.4	4.7	221.7	319.2
State of Good Repair Subtotal:	*33.8*	*12.3*	*53.3*	*15.3*	*10.6*	*252.0*	*377.3*
Enhancements							
Pier 27 Cruise Terminal*	43.6						43.6
Infrastructure (IFD eligible uses)						500.0	500.0
Ferry Terminal Expansion Project	5.0	34.0	37.5	40.0			116.5
Parks and Other	18.4	18.2	0.5				37.1
Enhancements Subtotal:	*67.0*	*52.2*	*38.0*	*40.0*	*0.0*	*500.0*	*697.2*
Spending Total:	**100.8**	**64.5**	**91.3**	**55.3**	**10.6**	**752.0**	**1,074.5**

Deferred Need: **1,212.9** w/Seismic: $1,662.5

Funding Sources	2014	2015	2016	2017	2018	2019-23	Total
Port Capital Budget	14.0	8.5	10.5	8.6	10.5	45.1	97.2
New Debt Issuance (TBD)	17.0						17.0
Multiple - Pier 27 Cruise Terminal*	39.4						39.4
US Department of Defense	3.0						3.0
US Army Corps of Engineers						20.2	20.2
Federal Railway Administration	3.0						3.0
2008 GO Park Bonds	10.4	8.2					18.6
2012 GO Park Bonds	3.0	10.0	0.5				13.5
SWL 351 Project	5.0						5.0
DTFT - Federal Transit Administration	5.0	10.0	12.5	15.0			42.5
DTFT - Prop 1B, RM2		24.0	25.0	25.0			74.0
Port Tenant Improvements	1.0	3.8	42.8	6.7	0.1	186.7	241.1
IFD Bond Proceeds						500.0	500.0
Funding Total:	**100.8**	**64.5**	**91.3**	**55.3**	**10.6**	**752.0**	**1,074.5**

Additional Funding Sources Sought							
US Army Corps of Engineers		3.0			7.0		10.0
US Department of Defense				3.0	-	3.0	6.0
US Department of Transportation			3.0	12.0			15.0
Transferable Development Rights					-	23.9	23.9
City-wide Assessment District						20.0	20.0
USACE - WRDA 2014	-	-	-	-	-	40.0	40.0
Additional Funding Sought Total:	**0.0**	**3.0**	**3.0**	**15.0**	**7.0**	**86.9**	**114.9**

*See Table 4 for a detailed breakdown of sources and uses for the Pier 27 Cruise Terminal

For a detailed breakdown of costs in the schedule above, see Appendix A to this report. A further breakdown of projects within each building is available upon request.

The Port's 2013-2024 10-Year Capital Plan identifies $2.7 billion in need, seismic upgrade costs and planned capital enhancements. The Port has identified funding of $1.07 billion. Of that amount, approximately $337 million is allocated to renewal and repair reducing the Port's overall need from $1.59 billion to $1.21 billion. The Plan of Finance includes $697 million in capital enhancement projects. $500 million, or just over 70% of the total enhancement program, consists of horizontal infrastructure development funded by proceeds of Infrastructure Finance District bond proceeds.

This Plan of Finance results in unfunded need of $1.21 billion and unfunded (potential) seismic upgrade costs of $449 million for all Port property.

The Portwide Annual Programs that are funded on a continuing basis in the Port's annual capital budgets include (1) emergency facility repair, a set-aside of funds for unforeseen situations, available for the most pressing capital needs in subsequent years if the programmed year remains emergency-free, (2) completing renovations in keeping with the Americans with Disabilities Act, and (3) dredging of the bay floor along the waterfront, which maintains the depth of the berths at the Port's piers so that they remain suitable for water traffic.

Other spending plan items include (4) emerging needs, where planning and design of projects are funded in order to position them for non-Port sources of construction funds, and (5) capital enhancements, where new assets are being constructed or where development of a facility includes rehabilitation far beyond return to current use.

Because of the sheer magnitude of the Port's remaining Annual Program, the Pier/Wharf Substructure Reinvestment program, for the moment, receives little, if any, funding. In order to maintain the Port's pier substructures and arrest the growth of the capital backlog, the Port must reinvest back into the Port's pier substructures in an amount equal to approximately 0.75% of the value of those substructures, each year[7]. Unfortunately, because of the cost to do so, the Port has been unable to make the necessary investments to maintain the Port's substructures in good repair.

Lastly, for the first time in the Port's 10-Year Capital Plan, construction of a new cruise terminal is listed as a separate line item in the schedule above. Recognizing the importance of the Port moving forward with this significant strategic capital investment, a project-specific funding and expenditures schedule is provided in Table 4 below.

It is important to note that, as with prior reports and in keeping with capital planning convention, the backlog costs have been estimated in 2014 dollars, and are not escalated to the anticipated project date.

[7] The level of need is calculated based on the cyclical replacement of portions of pier substructures, based on construction type and exposure to tidal action. For example, Port engineers estimate that the Port should rehabilitate 15% of the Port's pre-1920's era concrete piers every 20 years.

VI. Plan of Finance

The purpose of the plan of finance is to, in light of the 10-year capital need outlook, lay out strategically how the Port intends to pursue growth of existing and use of new financing mechanisms.

In this plan, Port staff proposes -- and the Port Commission will eventually make decisions regarding -- a financing plan that will fund $1.07 billion in state of good repair and capital enhancement work over the ten years of this Plan from the following sources:

- $241.1 million from Port tenant obligations;
- $97.2 million from the Port's annual operating budget;
- $17 million from revenue bond proceeds;
- $5 million from development projects;
- $500 million from Infrastructure Financing District[8] (IFD) bond proceeds;
- $29.1 million from General Obligation bond proceeds and proceeds of other City debt instruments;
- $74 million from State funding sources associated with the Downtown Ferry Terminal Expansion project
- $68.7 million from multiple federal agencies including the Federal Transit Administration, the United States Army Corps of Engineers and Department of Defense;
- $39.4 million from a mixed financing package funding the Pier 27 Cruise Terminal; and
- Additional sources that may become available through transferable development rights.

Of the sources above, this plan identifies $377 million in funding available to address renewal and repair of existing facilities. The Portwide Annual Programs that are funded on a continuing basis in the Port's annual capital budgets include (1) emergency facility repair, a set-aside of funds for unforeseen situations, available for the most pressing capital needs in subsequent years if the programmed year remains emergency-free, (2) completing renovations in keeping with the Americans with Disabilities Act, (3) dredging of the bay floor along the waterfront, which maintains the depth of the berths at the Port's piers so that they remain suitable for water traffic, (4) emerging needs, where planning and design of projects are funded in order to position them for non-Port sources of construction funds, and (5) repair / reinvestment, which houses the balance of the Port's renewal program.

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[8] See Section VI for a discussion of Infrastructure Financing Districts. This report assumes an estimated $500 million IFD proceeds invested in paying for publicly-owned infrastructure at major development projects, including SWL 337, Pier 70 and Piers 30-32. Each of these projects is subject to ongoing real estate negotiations which include the allocation of IFD to infrastructure costs. When City staff publishes each project term sheet for public review and consideration by the Port Commission and the Board of Supervisors, City staff will publish more detailed cost information related to the use of IFD.

With respect to the revised FY 2014-2023 Capital Plan, adjustments, growth and impacts to the Plan of Finance encompass a range of newly funded projects and programs as well as new sources of potential funds. Descriptions of each of these are presented below.

Supporting Legislation

The Port has developed policy options to address the unfunded portion of its Plan including use of grant funds, tax increment financing and potential private development options. The following is a summary of the Port's legislative efforts to address its Capital Plan:

- In 2005, the California Legislature adopted SB 1085 (Senator Carole Migden), permitting the Board of Supervisors to form Infrastructure Financing Districts (IFD) on Port property that allow the capture of growth in property (or possessory interest) tax increment to fund public improvements along the waterfront.

- In 2007, the California Legislature adopted SB 815 (Senator Carole Migden), authorizing the Port to lease certain Seawall Lots south of Market Street and north of Pier 50 for non-trust (i.e., commercial and residential) purposes, with net proceeds to fund rehabilitation of Port historic resources and parks required by the San Francisco Bay Conservation and Development Commission ("BCDC"). The largest of these is Seawall Lot 337 in Mission Bay, the site of the Port's current negotiations with Seawall Lot 337 Associates, LLC to develop a new neighborhood south of AT&T Ballpark.

- In 2010, the California Legislature adopted AB 1199 (Assemblymember Tom Ammiano), permitting the Port to establish a Pier 70 IFD that may issue debt repayable with both the local share of possessory interest tax and the State's share of possessory interest tax (permitted by AB 1199).

- In 2011, the California Legislature adopted AB 664 (Assemblymember Tom Ammiano), with technical amendments following in 2012 (AB 2259), authorizing the Port to capture up to $1 million annually in state tax revenue to fund the Pier 27 Cruise Terminal and related improvements, if the City demonstrates that the State will earn revenue in excess of this amount from the 34th America's Cup.

- In 2011, the California Legislature adopted AB 418 (Assemblymember Tom Ammiano) authorizing the California State Lands Commission to approve a trust swap with Pier 70, allowing the public trust designation of land within the site to be rationalized to allow for development. The Port is negotiating with Forest City California, Inc. to develop the 25 acre Waterfront Site at Pier 70. The Port is negotiating separately to develop the Port's historic buildings along 20th Street with Orton Development, Inc.

- In 2008, and again in 2012, San Francisco voters approved investments totaling $68 million in the development of a network of waterfront parks from Fisherman's Wharf to Heron's Head Park adjacent to Pier 96.

The Pier 27 James R. Herman Cruise Terminal

The Port is well on its way to transforming Pier 27 into a year-round cruise terminal that will meet modern industry demands, lower the Port's operational costs, and permit special event uses including the 34th America's Cup. The current project budget is $111 million consisting of $67 million for Phase 1 of the project, including construction of the core and shell, and $44 million for Phase 2, including the Northeast Wharf Plaza, the ground transportation area, apron and substructure repairs, and installation of maritime equipment. Phase 1 will be substantially complete by March 2013 and Phase 2 will commence after the 34th America's Cup concludes. The budget for the project, which currently includes a $4.2 million shortfall, is as follows:

Table 4: Pier 27 Cruise Terminal Spending and Funding Plan

	2013	2014	2015-22	Total
Spending Plan				
Soft Costs (DPW, Arch and Eng.)	17.4	3.8	0.0	21.2
Construction	46.4	36.2	0.0	82.5
Construction Contingency	3.6	3.6	0.0	7.2
Spending Total:	**67.4**	**43.6**	**0.0**	**111.0**
Funding Sources				
Watermark Condo Sales Proceeds	20.1	0.0	0.0	20.1
Port Revenue Bonds	10.1	8.0	0.0	18.1
Passenger Facility Charge*	0.0	7.3	0.0	7.3
Certificates of Participation (City)	20.5	0.6	0.0	21.0
Port Capital and Other Port Funds	9.7	0.0	0.0	9.7
City Contribution	4.9	0.0	0.0	4.9
America's Cup Organizing Committee	0.8	0.0	0.0	0.8
FEMA Security Grant	1.2	6.6	0.0	7.9
2012 GO Parks Bond	0.0	17.0	0.0	17.0
Total Funding:	**67.4**	**39.4**	**0.0**	**106.8**
Additional Sources Sought				
Other Unidentified Sources (net)	0.0	4.2	0.0	4.2
Total Additional Funding Sought:	**0.0**	**4.2**	**0.0**	**4.2**
Grand Total Funding:	**67.4**	**43.6**	**0.0**	**111.0**

* This will be Port-issued debt that will be repaid through a Passenger Facility Charge.

Port Capital Funds

The Port's biennial repair and replacement Capital Budget has historically been too low to adequately address capital needs. Based on certain analyses, the Port should reinvest in its pier substructures in a minimum amount of 0.75 percent of the value of those substructures, each year[9]. Trends indicate that available funding for this purpose could decline further. The biennial Capital Budget is funded primarily from two sources: fund balance and prior year operating surplus[10]. Over the last ten years (FY 2002-03 through FY 2011-12), the average annual appropriation for the Capital Budget has been $8.3 million[11]. The size of the capital budgets combined with the deferred backlog has meant that the capital budgets have primarily funded dredging, deferred maintenance and emergency needs, and have not addressed renewal needs adequately.

In response to this problem, the Port Commission adopted a policy for funding capital budget expenditures on March 14, 2012. Pursuant to this policy, on an annual basis, a minimum of no less than 20 percent of Port operating revenues shall be set aside in the Port's operating budget to fund capital expenditures. This minimum funding requirement shall be met through (1) an annual appropriation for current capital expenditures ("Capital Budget") and (2) a designation of current estimated revenues for future capital expenditures, consistent with the 10-Year Capital Plan. The policy is intended to (1) ensure that the Port has stable and growing operating resources dedicated to capital expenditures, (2) constrain the operating budget to achieve the funding requirement goal of operating revenues for capital, (3) require staff and Port Commission trade-off decisions between operating growth and capital needs, and (4) reduce the credit risk associated with unfunded capital obligations.

The projected Capital Budget is $14 million in FY 2013-14 which is $3.1 million more than is included in the budget, finally adopted in July 2012 as a result of higher than operating surplus FY 2011-12.. The Plan assumes an average of $9.7 million per year over the 10-Year Plan, with a high of $14 million and a low of $8.5 million. This is a notable improvement from the $8.3 million average between FY 2002-03 and FY2011-12 as a result of the Port Commission's decision to set a goal for capital expenditures.

Reversing the trend of deterioration is critical to keep key facilities from becoming unsafe and unusable but funding has not kept pace with need. Through the Port's capital fund prioritization process, Port staff members have programmed the following projects for funding over the first half of this plan:

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[9] The level of need is calculated based on the cyclical replacement of portions of pier substructures, based on construction type and exposure to tidal action. For example, Port engineers estimate that the Port should rehabilitate 15% of the Port's pre-1920's era concrete piers every 20 years.

[10] The Transbay cable payment of $550,000 also funds dedicated capital improvements in the Southern Waterfront.

[11] The range of funds available for annul reinvestment during this 10 year period is from $5.9 million in FY 2002-03 to $15.4 million in FY 2011-12; however the amounts do not reflect a natural growth over the period but instead show a wide variation in the allocation.

• Wharf J9	$2,000,000
• Pier 35 substructure	3,000,000
• Study of the San Francisco Seawall	500,000
• Portwide exiting improvements (ADA)	200,000
• Fendering systems at Pier 94	300,000
• Pier 26 fire sprinkler repairs	400,000
• Pier 50, Shed D fire sprinkler repairs	550,000
• Pier 2 superstructure demolition	200,000
• Pier 15-17 fender repair	192,000
• Pier 80, Berth C fender repair	540,000
Total	**$7,882,000**

Infrastructure Financing District Revenues

As described in the December 16, 2011 Port Commission staff report regarding a Port Infrastructure Financing District[12], Government Code Sections 53395 et seq. ("IFD Law") allow public agencies to finance public infrastructure improvements by capturing an d bonding against property tax increment generated in the IFD after it is established. To do so, the public agency must follow a multi-step process that includes approval of a financing and infrastructure plan by the Board of Supervisors.

IFD Law was crafted to allow IFDs to function much like redevelopment project areas. In this regard, IFDs do not increase tax rates, rather, they rely on increases in the property tax base within the IFD. Like redevelopment, the fundamental justification for tax increment financing is the notion that but for public and private investment made possible by tax increment financing, development and the resulting property tax increases would not occur.

By Resolution 110-12, the Board of Supervisors adopted a Resolution of Intention to Establish an Infrastructure Financing District for City and County of San Francisco (Infrastructure Financing District No. 2) for multiple sites on Port property:

- Seawall Lot (SWL) 330
- Piers 30-32
- Pier 26
- Pier 28
- Pier 48
- Pier 70

[12] IFDs function in a manner similar to redevelopment, by allowing local jurisdictions to establish a geographical district within which all growth in property and possessory interest tax above an established base year (typically referred to as "tax increment") can be pledged to service debt on bonds issued to fund capital improvements of communitywide significance. Note that although this mechanism uses property tax increment, it does not rely on a redevelopment agency structure and is not impacted by the recent elimination of redevelopment agencies in California.

Port staff will likely recommend removal of Piers 26 and 28 from Infrastructure Financing District No. 2, because these sites are no longer likely development sites. Concurrent with recommending a term sheet for the proposed development of Seawall Lot (SWL) 337 and Pier 48 in conjunction with the Port's development partner, Port staff will recommend that the Board of Supervisors amend Resolution 110-12 to include SWL 337.

AB 664 and AB 2259 IFD

Pursuant to this pair of bills, both authored by Assemblymember Tom Ammiano, the Port may capture the State's share of property tax, up to $1 million annually, from the following locations: SWL 330, and Piers 19, 23 and 29. The California Infrastructure Financing Bank (I-Bank) must first find that the net present value of tax benefits of the 34th America's Cup to the State of California exceeds the net present value of tax increment it would forego from these sites. Proceeds from this source may be used to finance or refinance investments in the Pier 27 Cruise Terminal and additional shoreside power installations along the Port.

Seawall Lot 337

Looking toward current plans for development of the Port's SWL 337 and Pier 48, the developer's proposal anticipates a phased multi-year project with horizontal development costs in excess of $100 million and vertical development costs of approximately $1.7 billion. A significant portion of this investment (up to 50%) is expected to occur within the 10-year scope of this Plan.

The developer's proposal includes approximately 3.5 million square feet (sf) of mixed use commercial and residential development, with ground floor retail, parking, and 8 acres of open space. To enable this development, the developer will have to construct entirely new infrastructure including streets, sidewalks, utilities (water, wastewater, recycled water, stormwater, electrical), and improvements to address sea level rise. The proposal also includes reuse of the 212,500 sf Pier 48 complex for light industrial and maritime uses, along with related upgrades to Pier 48. The developer and the City will pursue status for the Project as a Type I EcoDistrict to help meet environmental goals. A Type 1 Eco-District is characterized by a large amount of undeveloped land typically owned by a single property owner, enabling horizontal infrastructure development to be implemented in advance of vertical development and maximizing efficiency through district-scale systems.

The plan relies on a combination of IFD revenues, special taxes from a Community Facilities District, and Port land value to fund horizontal infrastructure improvements. Port staff expects Port Commission consideration of the proposed SWL 337 and Pier 48 term sheet in the first quarter of 2013.

Seawall Lot 351

The proposed agreement for the Seawall Lot 351 Development and Disposition Agreement was approved by the Board of Supervisors through a series of actions on June 12, 2012. Such approvals included a rezoning of the site. Petitions with a sufficient number of registered voters

were submitted in order to submit the rezoning to a public referendum. As approved, the project contemplates a $5 million IFD contribution to a park that would be owned by the Port. The remaining property tax proceeds generated by the project would flow to the General Fund.

Pier 70

In 2011, Port staff selected Forest City California, Inc. to develop the 25 acre Waterfront Site at Pier 70. The developer's proposal includes 3.5 million sf of mixed use commercial and residential development, with ground floor innovation retail, district parking, and 8 acres in open space. To enable this development, the developer will have to construct entirely new infrastructure including streets, sidewalks, utilities (water, wastewater, recycled water stormwater, electrical), and improvements to address sea level rise. The proposal also includes rehabilitation of three historic buildings within the Waterfront Site, including Buildings 2, 12 and 21. Horizontal infrastructure costs are projected to exceed $150 million.

The development plan relies on a combination of IFD revenues, special taxes from a Community Facilities District, and Port land value to fund horizontal infrastructure improvements. Port staff expects Port Commission consideration of the proposed Pier 70 Waterfront Site term sheet in Spring 2013. Due to the development timeline for Pier 70, this Plan only assumes that a portion of Pier 70 expenditures will occur by 2022.

Major Revenue Bond Funded Projects, Current and Proposed

The Port finances its larger scale capital projects to address significant deferred maintenance and to rehabilitate and enhance property primarily through debt issuances. As shown below, the Port has Series 2010A and B Revenue Bonds outstanding which were issued February 3, 2010 in the amount of $36.65 million for various projects. The City will issue Certificates of Participation (COPs) in the amount of $38.46 million for a portion of Phase 1 of the Cruise Terminal project and the America's Cup projects. [13]

The proposal for Phase 2 of the Cruise Terminal project includes an issuance of $15.25 million in Port revenue bonds. While this debt issuance is well within the Port's bonding capacity, the increased debt service cost will reduce the amount available for the repair and replacement capital budget by approximately 7 percent without offsetting reductions in the operating budget or in revenue growth.

Port staff has recommended to the Port Commission that the remaining bonding capacity of approximately $34 million should be reserved for projects with early returns on investments that generate revenues in excess of the amount required to service debt costs. This approach is required to expand sources for the repair and replacement capital budget and to expand the Port's bonding capacity to make future investments in projects that support maritime commerce.

- ***Piers 19 and 23:*** These piers are located near one another in the northern waterfront. They require repairs and seismic upgrades and are currently without any long-term

[13] This assumes net revenues of $17.8 million to service debt, interest rate expense of 6 percent for new debt, and debt service coverage of 2x. If these assumptions vary, the amount of capacity could be much less.

leases. The Series 2010 revenue bonds include $3.5 million to repair the Pier 19 roof to enable continued interim leasing of that facility. The Series 2010 revenue bonds also include $2 million in design funding for further improvements to either Pier 19 or Pier 23.

Port staff envisions a mixed use development project at either Pier 19 or Pier 23, subject to approval by the Port Commission, the Mayor, and the Board of Supervisors. Staff projects that the cost of a mixed use, adaptive reuse project at either Pier 19 or Pier 23 would be $85 million, based on certified costs to construct Pier 1 and construction cost inflation since Pier 1 opened. This project is dependent on developing a financially-feasible mixed use program consisting of interim non-trust and public trust uses, consistent with a proposed interim leasing policy for Port historic structures pending Port Commission consideration. Other funding for the Pier 19 or Pier 23 project would include funding from lease revenues, IFD revenues, federal historic tax credits, private equity and transferable development rights, if approved by the City.

- ***Pier 90-94 Backlands:*** The Port's largest unleased area of Port property is the Pier 90-94 Backlands, an area of unengineered fill not suitable for commercial buildings without the inclusion of costly pile supported foundations. The Series 2010 revenue bond program includes $8 million in funding for new road and utilities to support new industrial leasing plots that are planned for the site. DPW staff is currently developing construction documents. This project was defunded to fund projects related to the 34th America's Cup. Given the relocation of the City's tow operation from Pier 70, and the new 15 acres of open paved land that will become available in 2013 as a result, the Port needs to evaluate the timing of a new paved land at the Backlands. The Port is in the process of undertaking an interdivisional planning process to determine the best use for the broader Pier 90-96 maritime complex.

Port staff is in the process of reviewing other capital projects for additional funding utilizing the Port's remaining debt capacity. Potential projects that could be allocated capital funding include projects to re-lease one or more of the piers now in use for the 34th America's Cup, if these sites are not required for a successive defense. In the past, as a matter of policy, projects that will result in increases to revenue on the shortest available period of return on investment are those considered for funding from revenue bond proceeds.

General Obligation Bond Projects

2008 Clean & Safe Neighborhood Parks General Obligation Bond

In February 2008 San Francisco voters approved a $185 million General Obligation bond measure for park and open space improvements throughout the City, of which $33.5 million has been allocated to fund or partially fund Port open space improvements across the Port's waterfront. Port General Obligation Bond projects include: a promenade at Pier 43½ in Fisherman's Wharf; the Brannan Street Wharf Park in South Beach; Bayfront Park in the Port's China Basin region; and, in the Port's Southern Waterfront, Crane Cove Park, Warm Water Cove Park, Islais Creek, and an entrance to Heron's Head Park.

Table 6: Total 2008 G.O. Bond Park Proceeds Allocated to Port Projects

Port Area	Proposed Park	Project	G.O. Bond Funding
Fisherman's Wharf	Pier 43½ Park	Pier 43½	$9,000,000
South Beach	Brannan Street Wharf Park	Brannan St. Wharf	3,000,000
China Basin	Bayfront Park	Blue Greenway Project	21,500,000
Southern Waterfront	Crane Cove Park		
	Warm Water Cove Park		
	Islais Creek		
	Heron's Head Park Entrance		
		Total:	**$33,500,000**

*Excludes issuance and oversight costs.

Three of the Port's General Obligation Bond parks, Pier 43 ½ Park, Bayfront Park, and Brannan Street Wharf, began construction in FY 2012. Bayfront Park was completed in fall 2011, and Pier 43 ½ was substantially completed in winter 2012. Brannan Street Wharf is scheduled for completion in June of 2013.

2012 Proposition B General Obligation Bond

The Port again participated with the Department of Recreation and Parks in Proposition B, a general obligation bond approved by voters at the November 2012 election. Subject to completing review required pursuant to CEQA for each proposed park location, the proposed $35 million in funding for Port projects will fund the Port at the same levels as the 2008 Clean and Safe Neighborhood Parks G.O. Bond, and will fund a number of potential open space projects in the northern and southern waterfront, including:

The Northeast Wharf Plaza: The bond program will provide $17 million for a new two-and-a-half-acre public open space adjacent to the planned new Cruise Terminal at Pier 27 and improvements to the Piers 27-29 north tip. This new open space is a park required pursuant to the BCDC's Special Area Plan for the San Francisco Waterfront.

Fisherman's Wharf: Subject to CEQA analysis and completion of planning studies in coordination with BCDC, the bond program could fund up to $1.5 million in public open space improvements in Fisherman's Wharf. A potential candidate for funding is the substructure of the historic Pier 43 Arch, a contributing resource to the Embarcadero Historic District listed on the National Register of Historic Places.

Blue-Greenway Parks: The 2008 Clean and Safe Neighborhood Parks Bond program included substantial funding for a series of parks along the Port's waterfront, including Crane Cove and Warm Water Cove Parks. Subject to CEQA analysis, the proposed 2012 Bond program could provide new funding to enhance both Crane Cove Park and Warm Water Cove Park, as well as add new open spaces at Islais Creek. As with Blue-Greenway projects in the 2008 bond program, the final allocation of funding among these Parks would be subject to community input and approval from policy makers.

Transferable Development Rights

All of the pier sheds and associated bulkhead buildings on the Port's historic finger piers are collectively recognized as part of the Embarcadero Waterfront Historic District listed on the National Register of Historic Places. Any alteration or historic rehabilitation undertaken for these resources is required under Port Commission policy to comply with U.S. Secretary of the Interior Standards for Historic Rehabilitation (Secretary Standards). The Port has relied on the Federal Historic Tax Credit Program as one essential financing tool to assist in paying for the high cost of rehabilitation to meet the Secretary Standards. However, given the age of the piers and increasing costs of repair, structural and/or seismic interventions necessary to meet current codes, other financing strategies are required to save these historic resources and continue the Port's waterfront revitalization efforts.

The Port has initiated discussions with the Board of Supervisors, Planning Department, San Francisco Architectural Heritage and other preservation stakeholders to consider allowing the City's Transfer of Development Rights (TDR) program to be applied to historic rehabilitation projects defined by the Port Commission that would rehabilitate historic resources in the Embarcadero Historic District. TDR is an historic preservation incentive tool that allows unused development air rights on sites containing recognized historic resources of public value to be sold and applied to other development "receptor" sites. The City's TDR program requirements and provisions are contained in the San Francisco Planning Code and administered by the San Francisco Planning Department. Any historic building that receives benefit from the TDR program would require that the allowable development of that site be reduced by the amount sold through the TDR program.

The Port sees TDR as a significant potential financing tool that could generate significant funding to support historic rehabilitation costs of its historic pier resources, particularly at Piers 19, 23 and 29 in the Northern Waterfront. Each of these three sites is the subject of BCDC public access requirements imposed in conjunction with the Pier 27 Cruise Terminal major permit. The Pier 27 major permit requires that the Pier 29 north apron be improved no later than the certificate of occupancy of the cruise terminal, and that the Pier 19 north apron and the Pier 23 south apron be improved within five years of the certificate of occupancy of the cruise terminal.

In order to gain entry to the City's TDR program, the Port is participating with City Planning in a study of the current program to determine how the current TDR market is functioning and to what extent the addition of the Port's three piers into the program would impact the existing market. After the study is complete, and if it indicates that there is sufficient market demand to accommodate the Port's three finger piers, the Board of Supervisors would have to adopt legislation authorizing the Port to participate. The Port has already succeeded in gaining State authorization to participate in the local TDR program through enactment of AB 2649 (Assemblymember Tom Ammiano).

The current value of TDRs is estimated at $20 per square foot. Based on this value, Port staff estimates that the upper value of transferable development rights for Piers 19, 23, and 29 could be a total of $18 million in 2013 dollars.

Development Projects

The Port's development projects are public-private partnership projects in which a developer enters into a lease of up to 66 years with the Port for property, secures financing and is responsible for project delivery. The Pier 15-17 development project on behalf of The Exploratorium began construction in November 2010. As previously noted, cost estimates included in this Plan include only repair and replacement costs and seismic upgrades the Port would need to conduct in order to continue operating these facilities for current uses.

Pier 9 – Autodesk: Autodesk is an American multinational corporation that focuses on 3D design software for use in the architecture, engineering, construction, manufacturing, media and entertainment industries. In this private-public lease development project, Autodesk will construct a minimum of $7 million of core and shell and tenant improvements. Autodesk will receive an amortized credit for core and shell improvement only in the amount of $2.8 million, which addresses (and reduces) Pier 9 need as defined in the Plan. It is anticipated that the final project costs will exceed $12 million; most of these investments represent capital enhancements to Pier 9.

SWL 337 and Pier 48: SWL 337 and Pier 48 represent an approximate 20 acre mixed use development site. The Port has entered into an Exclusive Negotiation Agreement with Seawall Lot 337 Associates, LLC, an affiliate of the San Francisco Giants. The current proposal envisions up to 1.7 million sf of office space, up to 1,000 units of rental housing, up to 250,000 sf of retail and 8 acres of public open space. Capital improvements in excess of $100 million would build required site infrastructure with funding primarily sourced in developer equity and repaid by IFD and Port land value. To increase return on Port's land value, staff is investigating the potential for substituting portions of developer equity with public financing mechanisms. Under the construct of SB 815, this will result in increased revenues dedicated to future capital improvements to the Port's finger piers and other historic structures which can be programmed in future iterations of the Capital Plan.

SWL 351: The SWL 351 development project would transform an approximately 28,000 square foot paved parking lot by combining it with adjacent private property to create new waterfront parks, retail and parking resources. This project has been approved by the Port Commission and the Board of Supervisors and is fully entitled. The CEQA approvals granted by these bodies have been challenged and are currently in litigation. Also, in response to approved height increases for a portion of the project site, a referendum campaign succeeded in gathering enough voter signatures to qualify this issue for a future ballot, anticipated to be November 2013. Should the project prevail in the CEQA litigation and should the referendum to disallow approved height increases fail at the ballot, the project is expected to commence construction in early 2014. Capital improvements of approximately $9.5 million are required to build site infrastructure including parks, open space and a retail structure and are funded by developer equity with up to $5 million of these public improvement costs reimbursed from proceeds of a proposed Infrastructure Financing District. These projects represent $9.5 million in capital enhancements in this Plan.

Pier 70 – Orton Development: The 20th Street Historic Buildings are six buildings on or near

20th Street at Pier 70. These historic resources, some dating to the 1880s, are in need of substantial investment to return to active use. Following a competitive solicitation process, in May 2012, the Port entered into an exclusive negotiations agreement with Orton Development Inc. for a public/private partnership to rehabilitate these buildings. In total, these buildings have over 250,000 square feet of building space with potential in some cases, for additional mezzanine construction. The current capital cost estimate is from $60 to $75 million. The Port will contribute $1.5 million to the project (repositioning funds previously committed to a temporary shoring of one of the buildings). Orton will invest up to $14 million of equity in the project and secure the remainder of the funding from leasehold mortgage and historic tax credit investors. The Port defers its rent from the project until Orton's equity investment is repaid. These investments represent a significant investment in and corresponding reduction in Pier 70-related capital needs in this Plan.

Pier 70 – Forest City Development: The Pier 70 Waterfront Site is approximately 25 acres at the eastern edge of Pier 70, a site for new mixed-use development. The Port is in exclusive negotiations with Forest City Development California, Inc. for development of this site. Forest City is currently engaging with the community on its proposed vision for the Waterfront Site, which will be presented to the Port Commission early next year. Forest City will also work with the Port and the Office of Economic and Workforce Development to define an infrastructure system and regulatory framework that serves the Waterfront Site and Pier 70 as a whole. Capital improvements in excess of $150 million would build required site infrastructure with funding primarily sourced in developer equity and repaid by IFD and Port land value. Staff is investigating the potential for substituting portions of developer equity with public financing mechanisms. This project includes a funding strategy to upgrade three historic Pier 70 buildings (Buildings 12, 21 and 6), addressing defined capital needs in this Plan. The project also includes substantial capital enhancements in the form of new streets and utility infrastructure for the broader Pier 70 area, as well as a potential source of capital funding for other Pier 70 needs.

Leasing Projects

Re-leasing five Northern Waterfront facilities currently serving as America's Cup venues represents a significant opportunity for higher and better uses over previous shed space. A careful re-leasing strategy will provide for uses that complement the investments at The Exploratorium and Cruise Terminal and enhance Port revenues. Port staff expects that potential changes in use at one or more of these facilities could require significant Port-funded capital investments in order to increase revenues from these sites. Potential sources of capital funding to effectuate such upgrades include funding from prospective tenants or judicious use of existing Port debt capacity, where projects can demonstrate a significant return on investment.

The Port is experiencing an enormous period of transition at multiple locations along the waterfront. In preparing for the 34th America's Cup, Port Real Estate staff moved 37 tenants; 22 of these tenants relocated to vacant space on Port property, primarily in Piers 26, 28 and 50. If the defense of the 35th America's Cup does not occur in San Francisco, the City will end its subsidy of lost-rent to the Port, and the Port will face extraordinarily short timelines under which it will have to contemplate re-leasing these facilities, including Piers 19, 19½, 23, 29, and 29½. In 2013, the Port Real Estate and Planning and Development Divisions will lead a planning

effort to develop re-leasing strategies for each of these sites to develop conceptual use programs and identify the need for any further capital improvements necessary. Possible concepts include:

Pier 19-19½: Conduct a possible public Request for Interest to determine market interest in this location. In the absence of interest in the whole pier, warehouse use is possible. If a wall can be constructed between Pier 19 and Pier 19½, possible parking use in Pier 19½. These uses may require capital enhancements to accommodate future tenants; the Plan also envisions the need to invest in the Pier 19 north apron within 5 years of the Certificate of Occupancy for the Pier 27 Cruise Terminal, pursuant to the BCDC major permit for that project.

Pier 23: Possible temporary parking use, providing flexibility for future development pursuant to a Port-led development effort. In the absence of development, a mix of light industrial and office use in existing offices. Possible extended Event Authority use. These uses may require capital enhancements to accommodate future tenants; the Plan also envisions the need to invest in the Pier 23 south apron within 5 years of the Certificate of Occupancy for the Pier 27 Cruise Terminal, pursuant to the BCDC major permit for that project.

Pier 29: This site has been subject to extensive investment to respond to the fire damage to the Pier 29 bulkhead. These new investments, including sprinkling of the entire shed, coupled with the Pier 27 Cruise Terminal improvements and the planned investment in the Northeast Wharf Plaza, make this site a unique opportunity to consider a change of use. Possible uses include retail use, light industrial use (such as maker space), and potential office use.

Pier 29½: Possible parking use.

The Northern Waterfront is not the only location that is experiencing significant shifts in historic use patterns. The San Francisco Municipal Transportation Agency's towed auto storage facility is moving from Pier 70 to a site in Brisbane. While development is planned at Pier 70, the current expectation is that the buildout of the site will last until 2030, so partial leasing of the site may last until that time. Likely uses including leasing of paved land and industrial buildings. Few, if any, capital investments are anticipated to support this leasing.

Federal and State Funding

While project-based funding continues to be classified as "earmarking" by the United States Congress and is prohibited, programmatic changes to the law, where benefits are applied by formula, are still allowable. This Plan discusses both programmatic funding sources and project-based funding sources in anticipation that earmarking rules will be revised over the life of this Plan to allow projects already explicitly authorized by Congress to be eligible for appropriations (currently they are ineligible). Because congressional authorizations do not expire, this Plan continues to list the remaining $20.2 million in funds authorized by Congress under WRDA07 as a source, though in the last half of the Plan. If earmarking rules are revised, the Port will submit in earnest (see below) a request for a modification to this authorization to add a request for repair assistance to the seawall. Success here would add this funding as a source to the Port's 10-Year Capital Plan.

United States Army Corps of Engineers (USACE) – *Programmatic Funding*

- ***WRDA 2012, Expanded Uses of the Harbor Maintenance Trust Fund – Berth Dredging*** – Draft legislation under serious consideration in Congress would allow for expanded uses of monies for the Harbor Maintenance Trust Fund that would make berths adjacent to federal channels eligible for federal cost share. Currently the Port expends roughly $5 million per year, or approximately 50% of all available Port capital funds, on berth dredging. Port staff will be using all available resources to support this legislation. A recovery of Port dredging expense would benefit the Plan by redirecting a significant portion of the Port's annually available capital funds —as much as one third of it— away from short term capital maintenance (dredging) toward longer term, enduring infrastructure improvements.

- ***Continuing Authorities Program Section 107 (CAP107), Central Basin Dredging*** – The Central Basin is the approach to the Pier 70 Shipyard's primary drydock facility. Dredging of this approach is critical to operations of the shipyard. While the drydock itself is the largest privately operated repair facility of its kind on the west coast of the Americas, the increasingly restrictive siltation in the Central Basin is limiting the number and type of vessels that can access it. In September 2009, the Port requested dredging assistance from the Army Corps under CAP107. Through this program the Army Corps would provide $3 million in Federal funding, which is 75 percent of the estimated cost of the dredge project, and upon completion, assume responsibility for ongoing maintenance dredging. The Port and its shipyard tenant, BAE systems, would split the required $1 million match. After a series of federal funding delays, this project has resumed, and the Port is engaged with the Army Corps on entering into an agreement with that agency that will allow study activity to begin. If successful, this partnership could lead to ongoing federal involvement with dredging of this water basin, which would allow the Port to include additional federal funding to the sources utilized by this Plan.

- ***Continuing Authorities Program Section 103/205, Seawall Study*** – In December of 2012, the Port made an official request of the United States Army Corps of Engineers for assistance in studying the condition of San Francisco's seawall. This request, made pursuant to the River and Harbor Act of 1960, as amended, Continuing Authorities Program Sections 103 and 205, will provide the basis for a construction improvement project addressing both structural stability and future sea level rise. Should the study determine that there is a federal interest in San Francisco's seawall, as much as $7 million in additional federal resources will become directly accessible to the project. Additional funding may also become indirectly available, should the project look to exceed the Continuing Authorities Program statutory project funding limit. This study will have the additional benefit of enabling the Port to take a more holistic approach to maintenance of the Port's seawall. Currently, the various geographic elements of the structure are modeled independently with closer association to co-located structures than with the seawall itself. While the Port's capital model, FRRM, does account for maintenance of these structures, there is

currently no disambiguated cost estimate for maintenance of the seawall over the 10-Year period of the Plan.

United States Army Corps of Engineers (USACE) – *Project Funding*

In 2006, Port staff, working with Mayor Gavin Newsom's Office, successfully petitioned the office of House of Representatives Speaker Nancy Pelosi to carry a new federal authorization for a number of the Port's facilities. The legislative vehicle for this authorization is the Water Resources Development Act of 2007 (WRDA 07). Section 5051 of that legislation authorizes USACE, in cooperation with the Port of San Francisco, to seek appropriation of $25 million for "...repair and removal, as appropriate, of Piers 30-32, 35, 36, 70 (including Wharves 7 and 8), and 80 in San Francisco, California, substantially in accordance with the Port's redevelopment plan." All funding from this source requires a 2:1 match from the Port. The Port has traditionally been the only City department with projects eligible for funding from the Army Corps.

As of the writing of this Plan, the United States Congress continues to operate under a two-year moratorium on congressionally directed spending, i.e., direct "project" funding. However, because this moratorium has a differential impact across funding sources –in particular, the budget for the Army Corps is more affected than others– there is a great deal of speculation that the definition of "earmark" may be revised shortly following 2013 elections. If Congress does undertake any easing of these restrictions, the probability of the Port receiving additional federal funding for the projects listed below will greatly increase:

- ***WRDA 2012, Seawall Repair and Derelict Piling Removal*** – Though WRDA legislation is intended to be biennial, as a matter of practice, these new authorizations are passed into law much less frequently. For the next WRDA, Port staff will submit to House of Representatives Minority Leader Nancy Pelosi and Senators Barbara Boxer and Dianne Feinstein language to amend the Port's existing WRDA 07 authorization to increase the amount of funding authorized, and to make eligible appropriations for seawall construction or repair and removal of derelict pilings.

- ***WRDA 07, Piers 35 and 70*** – Following requests from Port staff, Speaker Pelosi's office agreed to carry an appropriation request for repairs to the Port's Pier 35 cruise terminal and for removal of wharves 7 and 8 at Pier 70. Through the committee process, the amount listed in proposed law was reduced to $5 million for repairs to Pier 35 only. While smaller amounts of funding will be effective in prolonging the life of Pier 35, this Plan assumes $15 million is required to fully repair that pier and $3 million is required for removal of wharves 7 & 8 at Pier 70. The appropriations bill containing that funding expired, and as things stand today, there is no expectation that the Port will be able to appropriate this or any other funding authorized under WRDA 07 in the next few years.

Mixed State and Federal Sources – Ferry Terminal Expansion Project

The San Francisco Bay Area Water Emergency Transportation Authority (WETA) is proposing a

$117 million expansion and improvements to the Downtown San Francisco Ferry Terminal at the Port of San Francisco Ferry Building, which will utilize federal and state funding. WETA and the Port have entered into a Memorandum of Understanding (MOU) to undertake a coordinated planning effort for the Downtown San Francisco Ferry Terminal Expansion project in accordance with the Port's objectives for stewardship of the San Francisco waterfront and WETA's mission to provide ferry service and emergency operations. The project would expand the number of ferry gates, improve pedestrian circulation and ferry patron boarding, and enhance emergency response capabilities to evacuate people from San Francisco in the event of a major catastrophic event.

The Downtown Ferry Terminal project has two phases: Phase I of the Downtown Ferry Terminal project was completed in 2003 and included the construction of the existing Gates B and E as well as the Pier 14 breakwater and related public access and circulation improvements. Completion of the Phase II improvements, which will mark the full build-out of the Downtown Ferry Terminal, is expected in 2017. The project area includes the Ferry Building, the Ferry Plaza, the Agriculture Building, Pier ½, and Pier 2. The project includes demolition, removal, repair, and replacement of existing facilities, as well as construction of new facilities in the project area. The Downtown Ferry Terminal can generally be divided into the North Basin (areas north of the Ferry Plaza) and South Basin (areas south of the Ferry Plaza). This Plan assumes WETA will have necessary funds to construct three new ferry floats and associated landside improvements. WETA anticipates at least two construction phases (north and south of the Ferry Building) to complete this project.

United States Department of Defense (DOD)

As noted earlier, new rules governing congressionally directed spending currently prevent the Port from seeking new DOD funding. That said, any relaxation of the new restrictions is likely to impact the Department of Defense budget, which is largely project-specific. Port staff members are hopeful that these changes are coming, but this Plan does not program any DOD funding in the first five years. Should additional funding become available, the Port would pursue additional funding for Pier 70, where there is a clear connection to the United States Navy and the role the shipyard played during World War II.

- ***Demolition of Drydock #1*** – Working through House Speaker Nancy Pelosi's Office, Port staff wrote, and Congress passed into law a $3 million appropriation for remediation and demolition of Drydock #1. The Department of Defense engaged the salvage arm of the United States Navy to administer the funding, who in turn, contracted with Titan Salvage to do the work. These federal monies will fund just under 50% of project costs, and the Port will expend Port capital funds to complete the project. The current project schedule would have this project conclude in the summer of 2013.

United States Department of Transportation

Looking toward emerging sources of federal funding, the Port has been included in the City's request for inclusion in the next major transportation reauthorization act. Whether or not the

Port's entry ultimately becomes part of new transportation authorizations and is funded, the scale of the potential benefit makes it worth noting. The Port could see funding from this source ranging from $15-30 million. The candidate projects are:

- ***Cargo Way:*** a ¾ of a mile roadway in the southeast section of San Francisco that is a primary access route serving a number of active development and redevelopment projects. The City has developed a plan to rebuild the roadway that would address a number of project goals, including providing direct access to support the Candlestick Hunters Point Shipyard Redevelopment Area, supporting the Port of San Francisco's maritime eco-industrial park, closing a gap and providing safe pedestrian and bicycle facilities along the Bay area's nine-county Bay Trail and the City's Blue Greenway, and improving Bay water quality by reducing a significant amount of waste water being sent to the City's over-capacity Southeast Water Treatment Facility. In addition, this project is included in the San Francisco Bi-County Transportation projects and the Bayview Transportation Improvements projects.

- ***20th Street Extension:*** 20th Street within the Historic Pier 70 Area is the primary access route serving one of the City's most important historic districts. The existing 20th Street requires upgrading to accommodate modern transportation and infrastructure. This is needed in order to extend and connect the area into the regional transportation system, providing a connection to a planned 20th Street Ferry Terminal and closing a gap in the 9 county regional Baytrail system. An improved 20th Street will provide the necessary infrastructure to allow for significant new infill development and the adaptive reuse of some the City's most important historic resources.

Federal Grants

Port staff members have been in continuous pursuit of federal grant funding. In January 2011, FEMA made awards for applications submitted during grant years 2007, 2007 Supplemental, 2008, 2009 and 2010. The Port received the largest federal grant award to date, for four separate projects, totaling $11 million. These projects will fund a number of different security improvements over the next year, with $7.8 million going to provide comprehensive security improvements to the Pier 27 Cruise Terminal.

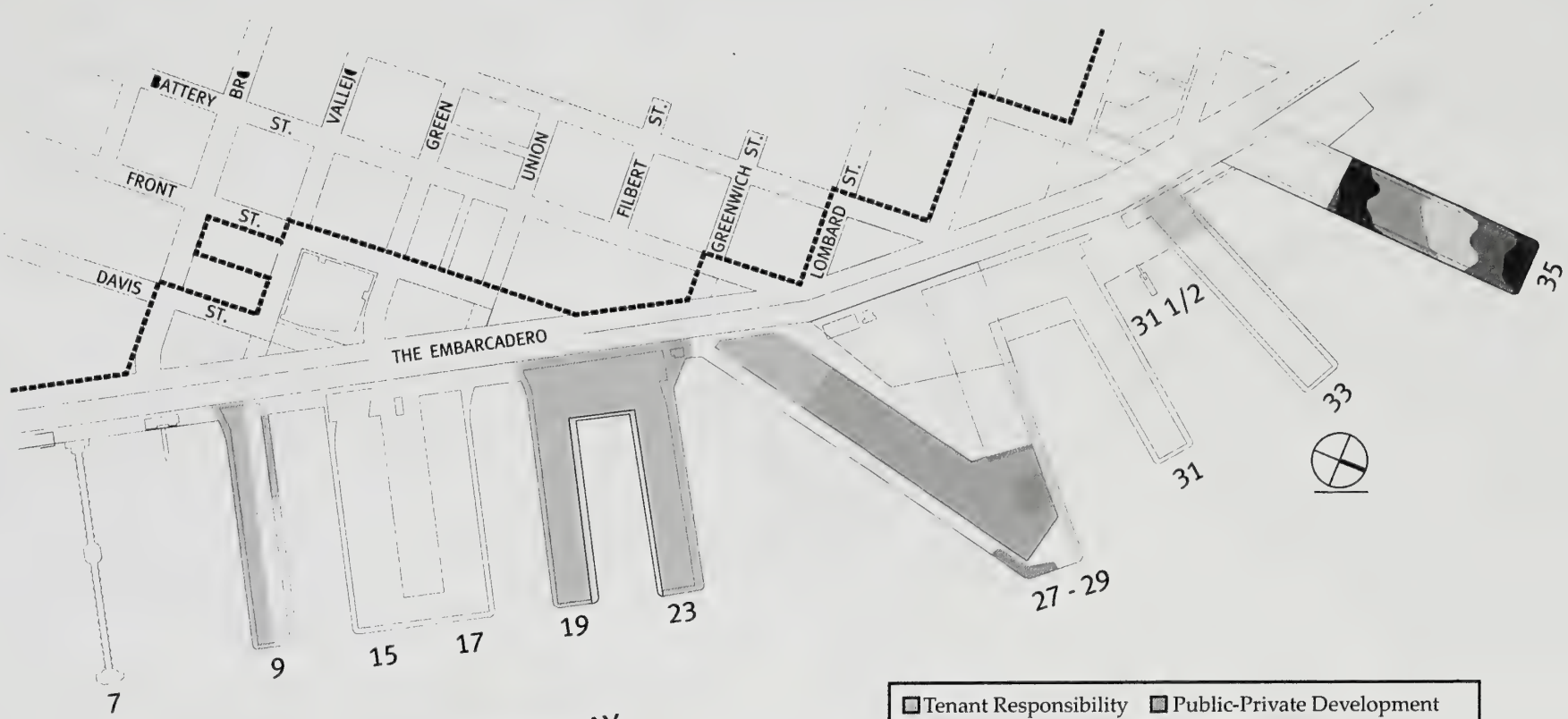
Additionally, Port staff are actively pursuing implementation of a $3 million award from the U.S. Department of Transportation, Federal Railway Administration (with the top scoring project, nation-wide) to improve reliability and efficiency of rail movement through track and switching upgrades to the Port's primary rail spur, the Quint Street Lead. This award is strategically important for the Port, as it supports the larger goal of (and is a necessary component to) creating a robust export terminal at Pier 96 serviced by six-axle locomotives. This Plan assumes iron ore as the export commodity, with appropriate weight capacity and resiliency built in to associated infrastructure improvements.

VII. Waterfront Area Maps

The following pages illustrate the various Port locations affected by this 10-Year Capital Plan and the related Plan of Finance sources.

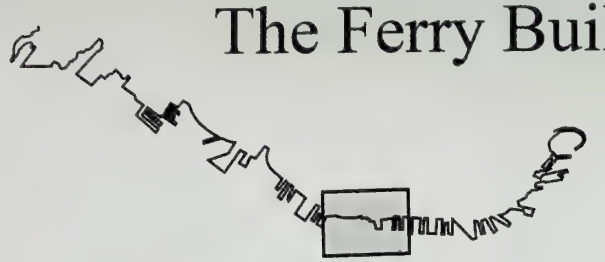
Fisherman's Wharf

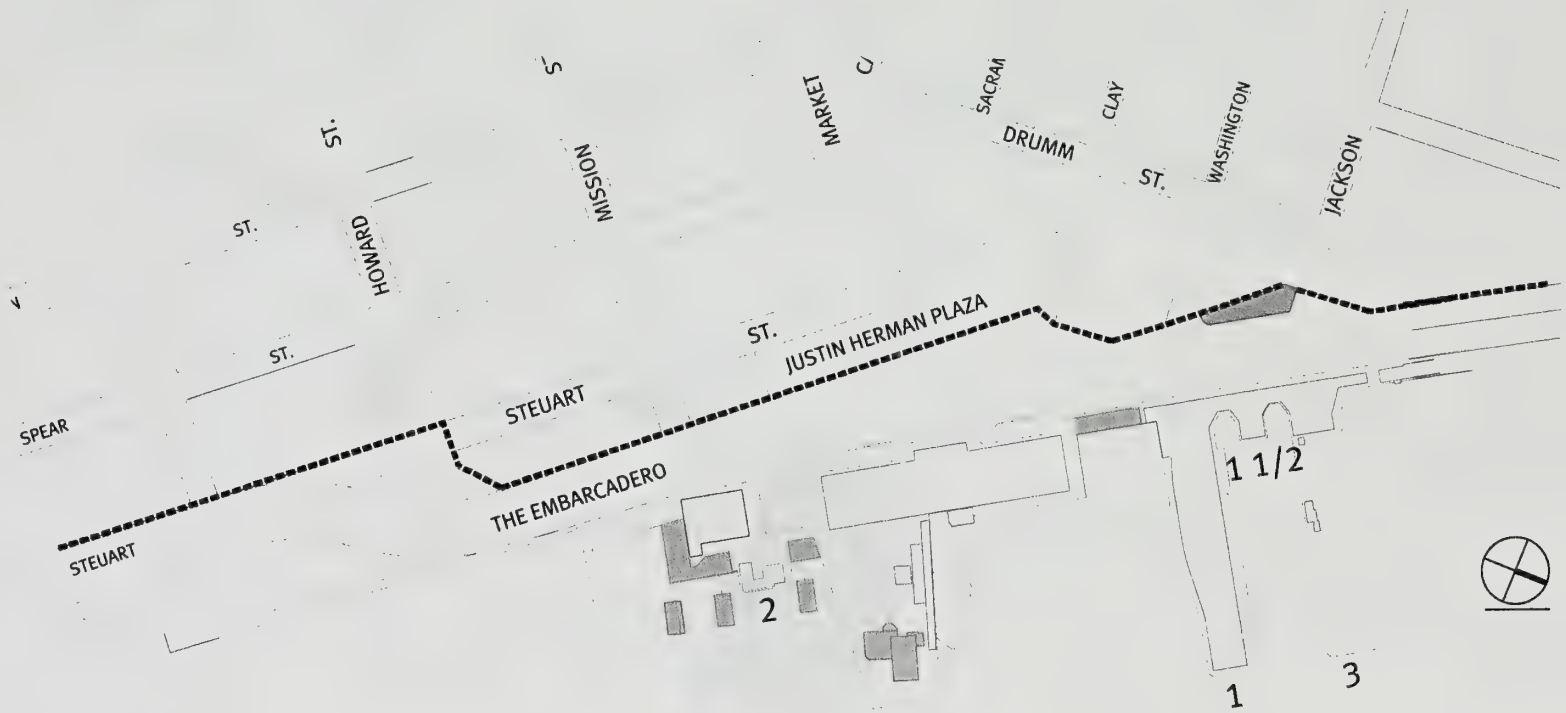
The Northeast Waterfront



- Tenant Responsibility
- Port Operating Budget
- Revenue Bonds
- Mixed Sources
- Transferable Development Rights
- Public-Private Development
- Federal Sources
- Certificates of Participation
- General Obligation Bonds

The Ferry Building Area



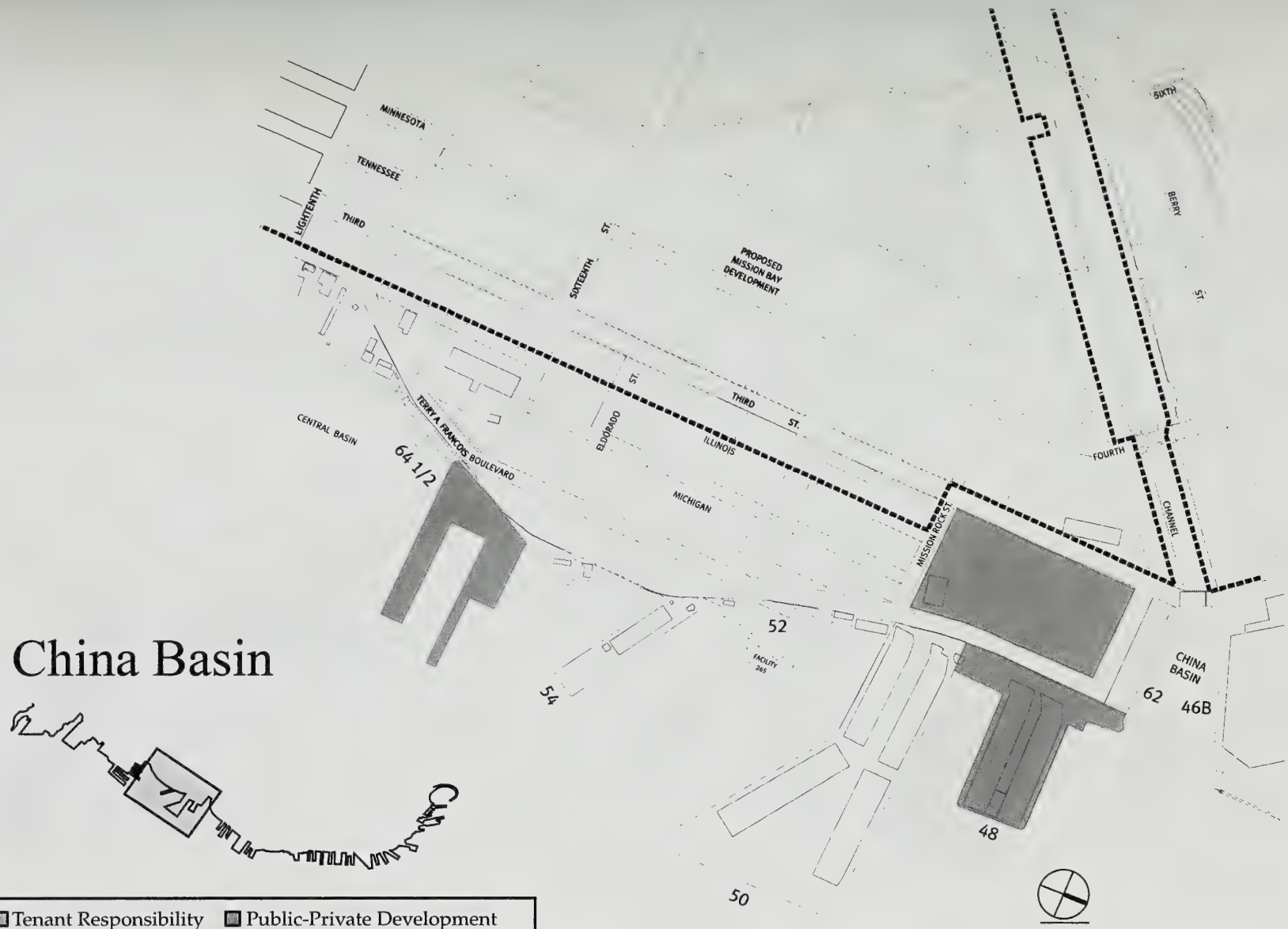


- Tenant Responsibility
- Port Operating Budget
- Revenue Bonds
- Mixed Sources
- Transferable Development Rights
- Public-Private Development
- Federal Sources
- Certificates of Participation
- General Obligation Bonds

South Beach

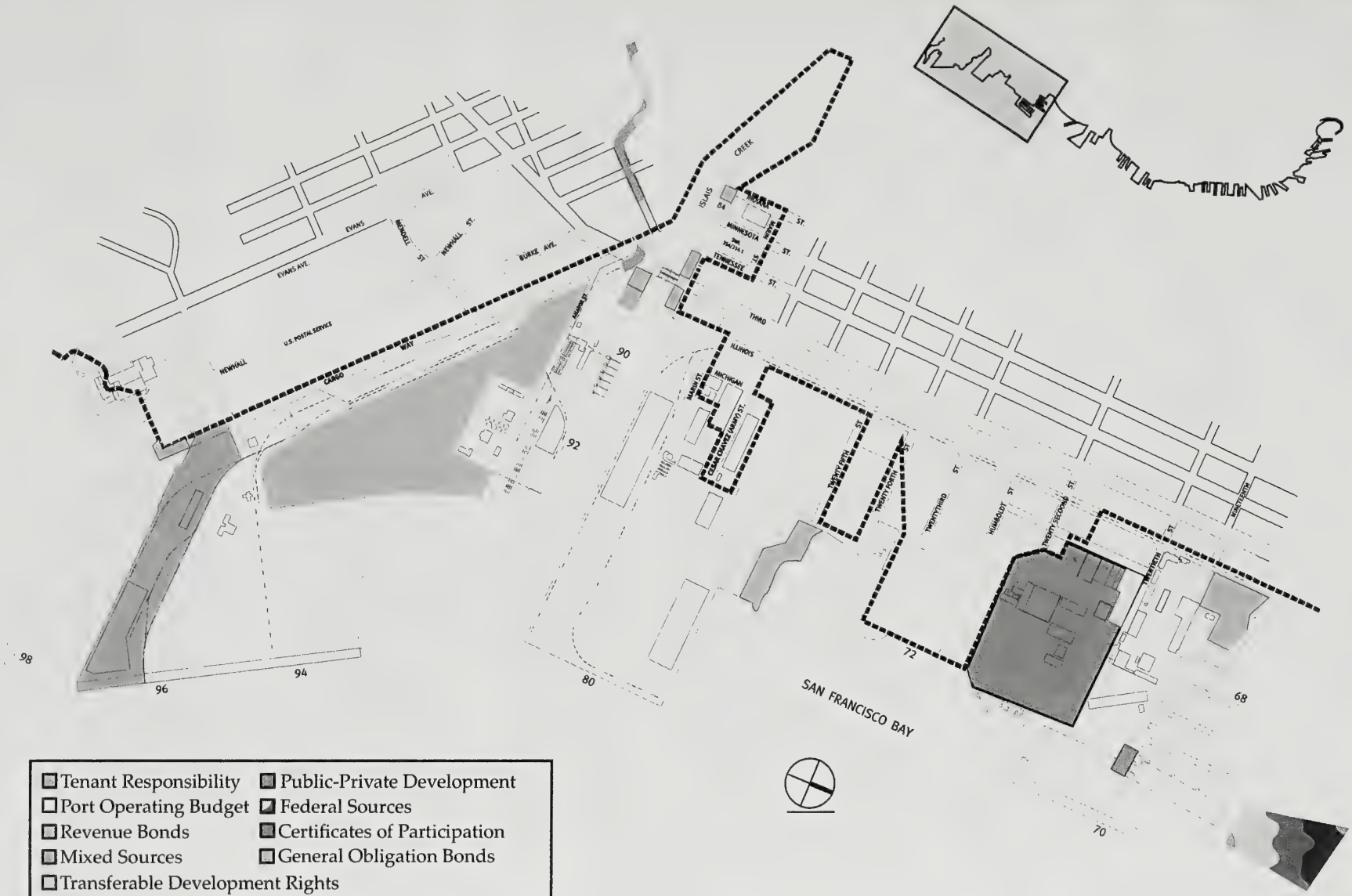
- ☐ Tenant Responsibility
- ☐ Port Operating Budget
- ☐ Revenue Bonds
- ☐ Mixed Sources
- ☐ Transferable Development Rights
- ☐ Public-Private Development
- ☐ Federal Sources
- ☐ Certificates of Participation
- ☐ General Obligation Bonds

China Basin



- ☐ Tenant Responsibility
- ☐ Port Operating Budget
- ☐ Revenue Bonds
- ☐ Mixed Sources
- ☐ Transferable Development Rights
- ☐ Public-Private Development
- ☐ Federal Sources
- ☐ Certificates of Participation
- ☐ General Obligation Bonds

The Southern Waterfront



- Tenant Responsibility
- Port Operating Budget
- Revenue Bonds
- Mixed Sources
- Transferable Development Rights
- Public-Private Development
- Federal Sources
- Certificates of Participation
- General Obligation Bonds

VIII. Conclusions

The Port's 10-Year Capital Plan continues to evolve since its inception seven years ago. The Port has used the information that the Plan generates to develop and implement its legislative and financing strategies to redevelop the City's waterfront, fulfill its public trust mission, and reconnect the City with its waterfront.

In the historic context of development along the waterfront in support of the Port's mission, no capital improvement stands out more than construction of the new James R. Herman Cruise Terminal at Pier 27. On the eve of the Port's 150th anniversary, this long-envisioned, new bedrock to Port operations identifies San Francisco as a city hospitable to the cruise industry and as a custodian of the public trust, facilitating visitors to our great city.

Since the first Plan in 2006, the Port has used this document to guide a total in investment of nearly a quarter-billion dollars in non-developer funding. Still, a persistent gap remains between the Port's available resources and ever growing need. It is a clear challenge, but one the Port has demonstrated it has the fortitude as an institution to meet. While this Plan is a forward looking document, it is our history of continual improvement that has generated opportunity for growth, and leveraged even greater opportunity. This Plan was integral to the Port's issuance of its revenue bonds as well as to the submittal and award of the City's bid to host the 34th America's Cup. It provides a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences in the press.

As a road-map, the Plan has enabled stronger application for Federal grant funding, and stronger footing for inclusion in future City-sponsored general obligation bonds. As a demonstration of the growing inadequacy of private equity alone to address the Port's capital infrastructure needs, the Plan served a vital role in supporting legislative changes to the Port's ability to develop Pier 70.

The suite of capital improvements the Port will have completed in preparation for the 34th America's Cup will not only further the Port's mission as a public agency in dramatic fashion, but support wider goals of the City and partnering agencies. Among other important improvements, removal of Piers ½ and 64 will continue the process of revealing Bay waters and vistas for users on either side of the shoreline, while simultaneously actuating key elements of Mayor Edwin M. Lee's 17-Point Jobs Plan that look to removal of blight and infrastructure improvement.

As the Port focuses attention on San Francisco's seawall, the Under Pier Utility Infrastructure Program, the new cruise terminal at Pier 27, as well as revenue bond and general obligation bond funded projects over the next five years of the Plan, it is clear that the Port must pivot quickly to repurpose piers that are used for the 34th America's Cup. . This challenge also represents an opportunity for the Port to explore new methods of increasing returns to the Harbor Fund from use and/or development of the piers.

This Plan will continue to evolve, as the long journey ahead of the Port will, from time to time, bring new and unexpected challenges. The waterfront has seen a series of transformative events since the Loma Prieta earthquake in 1989: the removal of the Embarcadero Freeway, the Embarcadero Roadway project, the opening of AT&T Ballpark and the world-class Ferry Building rehabilitation project, among others. Hosting the 34th America's Cup in the newly constructed international cruise terminal during the Port's 150th year will stand out as a year like none other.

The level of coordination between Port staff, the Mayor's Office, City Departments and the Board of Supervisors that has unfolded over the last year during preparations for the America's Cup has been particularly welcome. Port staff has enjoyed working as part of a broader City team to deliver on an economic development project of City wide significance. In order to fulfill the promise of the 34th America's Cup – and to transition what will follow these exciting sailing events on San Francisco Bay – Port staff looks forward to continuing this cooperation.

As the Port's history demonstrates, seizing opportunity as it presents itself creates future opportunity. It is through careful planning and bountiful partnership that we are able to make the most of what lies ahead.

APPENDIX A – 10-Year Need Summary, by Facility

Definitions

Building Type: This is the fundamental structure type, where a 'simple' building is a warehouse or garage structure with limited subsystems, a 'basic' building is a standard commercial structure with appropriate subsystems, 'small' buildings are less than 5,000 square feet (and as such, the method for estimating costs for these structures is simplified), and a 'pier' is a pile supported over-water foundation structure (as distinct from a shed building that sit atop a pier).

Backlog: The accumulation of all overdue needed repair work, as of year one of this Plan.

10-Year Renewals: Costs for replacing building subsystems that will reach the end of their life between year one and year 10 of this Plan.

One Time Costs: Costs that are singular in nature, such as a seismic upgrade, as differentiated from the cyclical costs of replacing building subsystems at the end of their lifetime (e.g., many roofs at the Port are 30-year roofs, and as such, are on a 30-year replacement schedule).

10-Year Summary by Building

Bldg. No.	Building Name	Building Type	Backlog	10-Year Renewals	One Time Costs	Total
1840	Copra Crane	BASIC	$817	$0	$0	$817
1001	Downtown Ferry Terminal	BASIC	$692	$0	$2,389	$3,081
3270	Epic Roasthouse	BASIC	$0	$0	$0	$0
0000	Equipment	BASIC	$0	$0	$16,446	$16,446
2740	Fac. 200 - World Trade Club Restaurant	BASIC	$308	$1,054	$805	$2,167
2000	Fac. 2000 - Ferry Plaza	PIER	$577	$356	$0	$933
2750	Fac. 274-175 - Ferry Building Clock Tower	BASIC	$0	$337	$328	$665
2750	Fac. 274-275 Ferry Building	BASIC	$0	$8,223	$7,994	$16,217
2780	Fac. 278 Agriculture Bldg Substructure	PIER	$5,166	$0	$2,832	$7,998
2780	Fac. 278 Agriculture Building	BASIC	$3,439	$262	$594	$4,296
2750	Ferry Building: Fac. 274 - 275	PIER	$0	$0	$0	$0
6020	Freight Yard - Intermodal Container Transfer Facility	Street	$3,648	$10,698	$4,595	$18,941
1980	Herons Head Park	BASIC	$183	$0	$206	$389
2500	Hyde Street Pier	PIER	$0	$0	$0	$0
2500	Hyde Street Pier - Storage Buildings (3)	SMALL	$0	$151	$0	$151
5470H	Joint Operations Center / Hyde Harbor Office	SIMPLE	$0	$0	$0	$0
000	Leased PIER	Port Wide	$0	$42,528	$0	$42,528
1010	Pier 1	PIER	$0	$80	$0	$80
1010	Pier 1 - Office Building	BASIC	$0	$3,173	$0	$3,173
1015	Pier 1 1/2	PIER	$0	$0	$0	$0

Bldg. No.	Building Name	Building Type	Backlog	10-Year Renewals	One Time Costs	Total
1015	Pier 1 1/2 - Bulkhead/Shed Building	BASIC	$0	$256	$0	$256
1140	Pier 14 (Public Pier)	PIER	$0	$0	$0	$0
1150	Pier 15	PIER	$16,298	$0	$0	$16,298
1150	Pier 15 - Bulkhead/Shed Building (contains trailer	SIMPLE	$2,952	$544	$3,735	$7,231
1155	Pier 15/17 - Office on Marginal Wharf	SMALL	$0	$0	$0	$0
1155	Pier 15/17 Valley - demolition	PIER	$8,683	$0	$0	$8,683
1170	Pier 17	PIER	$7,927	$0	$0	$7,927
1170	Pier 17 - Shed Building	SIMPLE	$3,053	$805	$3,134	$6,992
1175	Pier 17 1/2	PIER	$1,415	$0	$465	$1,880
1190	Pier 19	PIER	$8,650	$0	$9,305	$17,955
1190	Pier 19 - Bulkhead/Shed Building	SIMPLE	$1,313	$163	$2,626	$4,102
1195	Pier 19 1/2	PIER	$5,069	$0	$2,779	$7,848
1195	Pier 19 1/2 - Bulkhead/Shed	SIMPLE	$612	$75	$1,175	$1,862
1020	Pier 2	PIER	$4,221	$0	$2,014	$6,235
2770	Pier 2 - Sinbads	BASIC	$0	$0	$673	$673
1225	Pier 22 1/2	PIER	$2,263	$8	$979	$3,250
1225	Pier 22 1/2 - Fire Station	BASIC	$651	$0	$133	$784
1225	Pier 22 1/2 - Maintenance / Recreation	SMALL	$0	$0	$0	$0
1230	Pier 23	PIER	$6,023	$0	$9,907	$15,930
1230	Pier 23 - Bulkhead/Shed Building	SIMPLE	$1,964	$222	$2,694	$4,880
1235	Pier 23 1/2	PIER	$2,796	$0	$460	$3,256
1235	Pier 23 1/2 Pier 23 Cafe	SMALL	$0	$0	$0	$0
1245	Pier 24 1/2	PIER	$4,304	$0	$3,373	$7,677
1245	Pier 24 1/2 -Bulkhead/Shed Building	SIMPLE	$589	$0	$751	$1,340
1260	Pier 26	PIER	$14,716	$0	$14,786	$29,502
1260	Pier 26 - Bulkhead/Shed	SIMPLE	$2,046	$1,101	$3,450	$6,597
1265	Pier 26 1/2	PIER	$3,243	$0	$2,615	$5,858
1265	Pier 26.5 - Bulkhead	BASIC	$2,124	$867	$0	$2,991
1270	Pier 27	PIER	$494	$426	$0	$920
1270	Pier 27 - Office Annex	SMALL	$536	$0	$0	$536
1280	Pier 28	PIER	$9,451	$0	$13,947	$23,398
1280	Pier 28 - Bulkhead/Shed Building	SIMPLE	$2,046	$436	$2,065	$4,547
1285	Pier 28 1/2	PIER	$644	$0	$353	$997
1285	Pier 28 1/2 - Hidive Restaurant	SMALL	$197	$0	$0	$197
1290	Pier 29	PIER	$17,287	$0	$0	$17,287
1290	Pier 29 - *Bulkhead/Shed Building	SIMPLE	$4,499	$269	$4,159	$8,927
1295	Pier 29 1/2	PIER	$0	$0	$0	$0
1295	Pier 29 1/2 - Bulkhead Building	SIMPLE	$1,374	$91	$1,410	$2,875
1030	Pier 3	PIER	$7,725	$0	$5,976	$13,701
1030	Pier 3 - Bulkhead/Shed Building	BASIC	$0	$414	$0	$414
1320	Pier 30 and 32	PIER	$24,661	$268	$67,610	$92,540
1310	Pier 31	PIER	$11,146	$0	$15,865	$27,011
1310	Pier 31 - Bulkhead/Shed Building	SIMPLE	$2,867	$1,318	$2,553	$6,738

Bldg. No.	Building Name	Building Type	Backlog	10-Year Renewals	One Time Costs	Total
1315	Pier 31 1/2	PIER	$3,494	$0	$2,873	$6,367
1325	Pier 32 1/2 Marginal Wharf (Brannon St)	PIER	$0	$0	$0	$0
1330	Pier 33	PIER	$6,198	$0	$10,332	$16,530
1330	Pier 33 - Bulkhead/Shed Building	SIMPLE	$1,873	$1,437	$2,387	$5,697
1335	Pier 33 1/2	PIER	$0	$0	$451	$451
1335	Pier 33 1/2 - Bulkhead Building	BASIC	$1,604	$104	$0	$1,708
1345	Pier 34 1/2 Marginal Wharf	PIER	$0	$0	$0	$0
1350	Pier 35 - Bulkhead/Shed Building	BASIC	$3,511	$15,281	$4,896	$23,688
1355	Pier 35 1/2	PIER	$0	$0	$4,924	$4,924
1350	Pier 35 Cruise Terminal	PIER	$14,290	$249	$16,808	$31,347
1380	Pier 38	PIER	$34,274	$0	$15,432	$49,706
1380	Pier 38 - Bulkhead/Shed Building	SIMPLE	$289	$1,772	$2,979	$5,040
1385	Pier 38 1/2	PIER	$598	$0	$491	$1,089
1390	Pier 39	PIER	$0	$0	$0	$0
1390	Pier 39 - Retail Shops	BASIC	$3,952	$11,659	$7,016	$22,628
1390	Pier 39 - Underwater World	BASIC	$285	$778	$0	$1,064
1395	Pier 39 1/2 Marginal Wharf	PIER	$0	$0	$0	$0
1400	Pier 40	PIER	$20,120	$0	$9,922	$30,042
1400	Pier 40 - Shed Building	SIMPLE	$250	$751	$1,233	$2,234
1405	Pier 40 1/2 (S Beach Harbor Wharf)	PIER	$2,642	$0	$434	$3,076
1405	Pier 40 1/2 - Java House	SMALL	$0	$0	$0	$0
1400	Pier 40 Restaurant & Robert Steck Chandelry	BASIC	$51	$208	$215	$473
1410	Pier 41	PIER	$0	$0	$3,077	$3,077
1415	Pier 41 1/2	PIER	$0	$0	$0	$0
1415	Pier 41 1/2 - Blue&Gold Bldg.	BASIC	$0	$710	$396	$1,106
1430	Pier 43	PIER	$107	$0	$288	$395
1430	Pier 43 - Arch	SMALL	$0	$0	$0	$0
1435	Pier 43 1/2	PIER	$0	$0	$0	$0
1435	Pier 43 1/2 - Franciscan Restaurant	BASIC	$601	$638	$384	$1,623
1435	Pier 43 1/2 - Red & White Tours	SMALL	$0	$0	$0	$0
1450	Pier 45	PIER	$1,368	$2,380	$0	$3,748
1450	Pier 45 - Shed A	SIMPLE	$667	$1,319	$1,944	$3,930
1450	Pier 45 - Shed B	SIMPLE	$671	$1,326	$1,954	$3,951
1450	Pier 45 - Shed C	SIMPLE	$941	$161	$1,990	$3,092
1450	Pier 45 - Shed D	SIMPLE	$663	$1,141	$1,765	$3,569
1461	Pier 46B China Basin Ferry Terminal	PIER	$873	$0	$0	$873
1470	Pier 47 - Guardinos Storage Bldg	SMALL	$0	$58	$0	$58
1470	Pier 47 - Scoma / Fish Prep Bldg	SMALL	$0	$54	$0	$54
1470	Pier 47 - Scoma Storage Bldg	SMALL	$0	$94	$0	$94
1470	Pier 47 - Scomas Restaurant	BASIC	$353	$1,113	$333	$1,799
1470	Pier 47 - Scomas Storage Shed	SMALL	$0	$20	$0	$20
1470	Pier 47 - Wharf J6, J7, J8	PIER	$1,922	$0	$4,160	$6,082
1470	Pier 47 WF Albert Seafoods Proc Bldg	SIMPLE	$130	$84	$175	$389

Bldg. No.	Building Name	Building Type	Backlog	10-Year Renewals	One Time Costs	Total
1480	Pier 48	PIER	$7,993	$1,541	$1,457	$10,991
1480	Pier 48 - Shed A	SIMPLE	$1,640	$394	$0	$2,035
1480	Pier 48 - Shed B	SIMPLE	$1,685	$405	$0	$2,090
1485	Pier 48 1/2 - Jellys restaurant	SMALL	$0	$0	$0	$0
1490	Pier 49 - Aliotos Restaurant (Wharf J-1)	BASIC	$0	$388	$324	$712
1490	Pier 49 - Fishermans Grotto No. 9 (Wharf J-1)	BASIC	$0	$603	$503	$1,106
1490	Pier 49 - Fishermans Memorial Chapel	SMALL	$0	$151	$0	$151
1490	Pier 49 - Guardinos (Wharf J-1)	SMALL	$0	$0	$0	$0
1490	Pier 49 - Sabella & Latorre (Wharf J-1)	SMALL	$0	$0	$0	$0
1490	Pier 49 - Tarantinos Restaurant (Wharf J-1)	BASIC	$0	$235	$192	$427
1490	Pier 49 - The Crab Station (Wharf J-1)	SMALL	$0	$0	$0	$0
1490	Pier 49 Nicks Lighthouse (Wharf J-1)	SMALL	$0	$0	$0	$0
1050	Pier 5	PIER	$0	$0	$0	$0
1055	Pier 5 1/2 - Bulkhead Building	BASIC	$0	$304	$0	$304
1500	Pier 50	PIER	$29,320	$1,798	$18,633	$49,751
1500	Pier 50 - Shed A	SIMPLE	$2,165	$348	$1,996	$4,508
1500	Pier 50 - Shed B	SIMPLE	$1,123	$1,125	$2,024	$4,272
1500	Pier 50 - Shed C	SIMPLE	$1,353	$1,487	$2,432	$5,271
1500	Pier 50 - Shed D	SIMPLE	$1,300	$941	$2,808	$5,049
1505	Pier 50 1/2	PIER	$0	$0	$358	$358
2505	Pier 50 Administration Building	BASIC	$1,741	$596	$522	$2,859
1520	Pier 52	PIER	$0	$0	$4,115	$4,115
1540	Pier 54	PIER	$31,172	$0	$8,543	$39,715
1540	Pier 54 - Office Bldg	SMALL	$505	$0	$0	$505
1540	Pier 54 - Oil Shed	SMALL	$120	$0	$0	$120
1540	Pier 54 - Shed Building	SIMPLE	$395	$89	$660	$1,144
1540	Pier 54 - Storage Shed	SMALL	$0	$40	$0	$40
1600	Pier 60 - Wharf - wood piles	PIER	$1,110	$0	$480	$1,590
1640	Pier 64	PIER	$2,743	$0	$1,779	$4,522
1645	Pier 64 1/2 Kelly Mission Rock Resort Restnt	BASIC	$0	$186	$0	$186
1680	Pier 68	PIER	$7,217	$39,284	$7,159	$53,660
1075	Pier 7 - The Waterfront Restaurant	BASIC	$290	$235	$163	$689
1075	Pier 7 1/2	PIER	$0	$0	$0	$0
1070	Pier 7 Public Pier	PIER	$0	$0	$0	$0
1700	Pier 70	PIER	$50,452	$0	$45,445	$95,897
1680	Pier 70 - Pier 68 - Bathrooms Bldg. #141	SMALL	$0	$60	$0	$60
1680	Pier 70 - Pier 68 - Beth Street Substation #2, Bldg. #50	SMALL	$91	$0	$0	$91
1680	Pier 70 - Pier 68 - Beth Street Warehouse Bldg. #30	SMALL	$0	$707	$0	$707

Bldg. No.	Building Name	Building Type	Backlog	10-Year Renewals	One Time Costs	Total
1680	Pier 70 - Pier 68 - Blast Shed Bldg. #150	SMALL	$0	$0	$0	$0
1680	Pier 70 - Pier 68 - Boiler/Steam Power House - #103	SMALL	$281	$0	$219	$500
1680	Pier 70 - Pier 68 - Building #149	SMALL	$0	$0	$0	$0
1680	Pier 70 - Pier 68 - Cable/Electric Shop - Bldg.#38	SIMPLE	$797	$0	$6,107	$6,904
1680	Pier 70 - Pier 68 - Checkhouse #1, Bldg. #122	SMALL	$0	$0	$179	$179
1680	Pier 70 - Pier 68 - Checkhouse #2, Bldg. #123	SMALL	$0	$0	$87	$87
1680	Pier 70 - Pier 68 - Equipment Building #36	SIMPLE	$321	$44	$2,490	$2,854
1680	Pier 70 - Pier 68 - Machine Shop - Bldg. #105	SIMPLE	$491	$44	$4,012	$4,547
1680	Pier 70 - Pier 68 - near checkhouse #2, Building #51	SMALL	$60	$0	$0	$60
1680	Pier 70 - Pier 68 - Office Bldg (#127)	SMALL	$0	$0	$0	$0
1680	Pier 70 - Pier 68 - Office Bldg Annex to #101, Bldg. #40	BASIC	$1,424	$0	$316	$1,740
1680	Pier 70 - Pier 68 - Office Building #101	BASIC	$6,590	$0	$27,925	$34,515
1680	Pier 70 - Pier 68 - Office Building #104	BASIC	$4,163	$0	$18,927	$23,090
1680	Pier 70 - Pier 68 - Office/Warehouse Bldg.- Bldg #111	BASIC	$5,830	$1,319	$10,658	$17,806
1680	Pier 70 - Pier 68 - Ops. Bldg #102	BASIC	$990	$0	$908	$1,898
1680	Pier 70 - Pier 68 - Pipe Rack, Bldg. #120	SMALL	$0	$0	$46	$46
1680	Pier 70 - Pier 68 - Pipe Storage Bldg #107	SMALL	$0	$217	$0	$217
1680	Pier 70 - Pier 68 - Sheet Metal/Tools Bldg #109	SIMPLE	$1,356	$732	$512	$2,599
1680	Pier 70 - Pier 68 - Shipwright Building -#108	BASIC	$6,137	$0	$10,879	$17,016
1680	Pier 70 - Pier 68 - Steel Shop Office (bldg #121)	SMALL	$0	$93	$0	$93
1680	Pier 70 - Pier 68 - Substation #4 (bldg #58)	SMALL	$0	$0	$143	$143
1680	Pier 70 - Pier 68 - Substation #6, Bldg. #64	SMALL	$302	$0	$1,024	$1,326
1680	Pier 70 - Pier 68 - Substation #7 (bldg #68)	SMALL	$0	$217	$80	$297
1680	Pier 70 - Pier 68 - Warehouse & 6-ton crane, Bldg. #49	SIMPLE	$92	$127	$25	$244
1680	Pier 70 - Pier 68 - Yard Washroom, Bldg. #110	SMALL	$592	$0	$775	$1,367
1680	Pier 70 - Pier 68 - Yard Washroom, Bldg. #119	SMALL	$217	$0	$0	$217

Bldg. No.	Building Name	Building Type	Backlog	10-Year Renewals	One Time Costs	Total
3450	Pier 70 - SWL 345 - Kneass Boatworks, Main Office/boat storage	SIMPLE	$0	$0	$1,697	$1,697
3450	Pier 70 - SWL 345 - Kneass, Pier 66 Boatyard Office	SMALL	$302	$0	$0	$302
3490	Pier 70 - SWL 349 - Auto Yard Shop Bldg #19	SIMPLE	$192	$0	$1,132	$1,324
3490	Pier 70 - SWL 349 - Beth Street Stress Relieving, Bldg. #16	SIMPLE	$271	$0	$1,260	$1,531
3490	Pier 70 - SWL 349 - Beth Street Warehouse, Bldg. #32	SIMPLE	$350	$0	$1,553	$1,903
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #24	SMALL	$518	$0	$720	$1,238
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #25	SMALL	$0	$225	$54	$279
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #29	SMALL	$558	$0	$855	$1,413
3490	Pier 70 - SWL 349 - Brass Foundry, Bldg. #115	SIMPLE	$526	$0	$5,612	$6,138
3490	Pier 70 - SWL 349 - Foundry, Bldg. #116	SIMPLE	$526	$0	$5,612	$6,138
3490	Pier 70 - SWL 349 - Test Room, Bldg. #23	SMALL	$657	$0	$256	$913
3490	Pier 70 - SWL 349 - UIW Machine Shop, Bldg. #114	SIMPLE	$263	$0	$2,558	$2,821
3490	Pier 70 - SWL 349 Building #6 (condemned)	SIMPLE	$1,125	$0	$6,974	$8,099
3490	Pier 70 - SWL 349 Equipment Bldg - Bldg #14	SIMPLE	$471	$0	$5,378	$5,849
3490	Pier 70 - SWL 349 Heavy Machine Shop - Bldg #113	SIMPLE	$2,514	$0	$29,617	$32,131
3490	Pier 70 - SWL 349 Office Building - Bldg. #11 Noonan	BASIC	$3,853	$506	$8,272	$12,632
3490	Pier 70 - SWL 349 SF Shipyard Training Bldg 117	SIMPLE	$867	$0	$10,465	$11,332
3490	Pier 70 - SWL 349 Shop Building - Bldg #21	SIMPLE	$244	$0	$3,701	$3,945
3490	Pier 70 - SWL 349 Traffic Department Bldg. #12 & #15	BASIC	$8,089	$0	$17,556	$25,645
3490	Pier 70 - SWL 349 Traffic Dept. Shed - Bldg #66	SIMPLE	$669	$0	$592	$1,261
3490	Pier 70 - SWL 349 Warehouse - Bldg.2	SIMPLE	$2,546	$0	$20,368	$22,914
1800	Pier 80	PIER	$9,148	$2,675	$61,794	$73,617
1800	Pier 80 - Entry Canopy	SIMPLE	$246	$0	$296	$542
1800	Pier 80 - Gear & Maintenance Building	SIMPLE	$1,118	$88	$1,045	$2,251
1800	Pier 80 - Office Bldg #2	SMALL	$106	$0	$0	$106
1800	Pier 80 - Service Building	SIMPLE	$1,222	$1,283	$831	$3,336
1800	Pier 80 - Shed A	SIMPLE	$4,146	$2,031	$23,034	$29,211
1800	Pier 80 - Shed D	SIMPLE	$2,998	$1,276	$4,530	$8,804

Bldg. No.	Building Name	Building Type	Backlog	10-Year Renewals	One Time Costs	Total
1800	Pier 80 - Terminal Office	SMALL	$268	$0	$0	$268
2800	Pier 80 Administration Building	BASIC	$2,566	$2,872	$2,104	$7,542
1800	Pier 80 Office Bldg #1	SMALL	$106	$0	$0	$106
1090	Pier 9	PIER	$11,744	$0	$9,652	$21,396
1095	Pier 9 1/2	PIER	$761	$0	$626	$1,387
1090	Pier 9 Bulkhead/Shed Building	BASIC	$8,731	$3,229	$3,445	$15,405
1900	Pier 90	PIER	$10,697	$0	$0	$10,697
1900	Pier 90 - Fire Department Building	BASIC	$74	$58	$168	$301
1900	Pier 90 - Maintenance Bldg	SMALL	$0	$95	$0	$95
1900	Pier 90 - Old Powerhouse	SMALL	$0	$0	$0	$0
1900	Pier 90 - Storage Bldg	SMALL	$0	$35	$0	$35
1900	Pier 90 - Truck Pits	SMALL	$0	$98	$0	$98
1920	Pier 92	PIER	$4,086	$0	$0	$4,086
1940	Pier 94 - 96 wharf area	PIER	$5,088	$0	$7,644	$12,732
1940	Pier 94 - Wharfside Building	SMALL	$0	$0	$0	$0
1960	Pier 96 - Administration Building	BASIC	$869	$582	$417	$1,868
1960	Pier 96 - Entry Canopy	SIMPLE	$189	$0	$268	$457
1960	Pier 96 - Exit Canopy	SIMPLE	$112	$20	$159	$291
1960	Pier 96 - Gatehouse Bldg	SMALL	$0	$219	$0	$219
1960	Pier 96 - Maintenance Building	BASIC	$1,404	$747	$811	$2,962
1960	Pier 96 - Office/Restroom	SMALL	$0	$129	$0	$129
1960	Pier 96 - Recycling/LASH Terminal	SIMPLE	$2,393	$4,856	$4,997	$12,246
1960	Pier 96 - Storage	SMALL	$0	$145	$0	$145
1960	Pier 96 - Truck Scales	SMALL	$0	$38	$0	$38
0000	Port-wide Projects	Port Wide	$0	$295,723	$149,610	$445,333
4036	Street - 20th east of Illinois	Street	$437	$0	$0	$437
4038	Street - 24th from Michigan to Maryland	Street	$607	$0	$544	$1,151
4043	Street - Amador and extension	Street	$1,929	$0	$0	$1,929
4022	Street - Broadway btw Embarcadero & Vallejo	Street	$480	$0	$0	$480
4008	Street - Embarcadero from Taylor to Powell	Street	$0	$0	$0	$0
4020	Street - Green between Davis and Front	Street	$160	$0	$0	$160
3030	Street - Hyde Alley, Fish Alley	Street	$282	$0	$0	$282
4001	Street - Hyde N of Jefferson to Hyde St Pier	Street	$228	$0	$0	$228
4004	Street - Jefferson btw Jones and Leavenworth	Street	$118	$0	$0	$118
4002	Street - Jefferson from Leavenworth to Hyde	Street	$123	$0	$317	$440
4017	Street - Lombard btw Sansome and Embarcadero	Street	$170	$0	$0	$170
4040	Street - Marin east of Michigan	Street	$159	$0	$0	$159
3020	Street - Pier 47, Fish Alley, Al Scoma Way	Street	$380	$0	$0	$380

Bldg. No.	Building Name	Building Type	Backlog	10-Year Renewals	One Time Costs	Total
4003	Street - R.H. Dana Dr. (Leavenworth) N of Jefferson	Street	$140	$0	$0	$140
4033	Street - T. Francois along China Basin	Street	$478	$0	$0	$478
4034	Street - T. Francois btw China Basin and Mission R	Street	$5,007	$0	$0	$5,007
4006	Street - Taylor Street btw. Jefferson and Embarcadero	Street	$291	$0	$274	$565
4041	Street - TN, IN, MN btw Tulare and Marin	Street	$837	$0	$0	$837
3010	SWL 301 - Andre Boudin Pavilion	SMALL	$0	$0	$0	$0
3010	SWL 301 - Andre Boudin Restaurant	BASIC	$0	$151	$0	$151
3020	SWL 302 - Alioto Fish Co.	BASIC	$0	$496	$424	$920
3020	SWL 302 - Castagnola/Storage Bldg	SMALL	$0	$0	$0	$0
3020	SWL 302 - Crab Boat Owners Asso.	BASIC	$368	$0	$72	$440
3020	SWL 302 - Firewood Cafe	BASIC	$0	$126	$107	$233
3020	SWL 302 – Pompei's Grotto	BASIC	$0	$295	$110	$405
3020	SWL 302 - Port Harbor Office	SMALL	$0	$57	$0	$57
3020	SWL 302 – Scoma's (Smoke House)	BASIC	$0	$72	$128	$200
3020	SWL 302 - United Shellfish Warehouse	SMALL	$0	$174	$0	$174
3030	SWL 302 Cal Shell Fish Shed	SMALL	$0	$0	$0	$0
3020	SWL 302 Castagnola Rest.	BASIC	$0	$475	$396	$871
3020	SWL 302 Coast Marine Supply Mat. Storage Bldg	SIMPLE	$0	$197	$560	$757
3020	SWL 302 Costal Marine Retail Space	SMALL	$0	$0	$0	$0
3020	SWL 302 D&G Co. d.b.a. Lou Blues	SMALL	$0	$556	$0	$556
3020	SWL 302 Franks Fisherman Supply	BASIC	$93	$269	$220	$582
3020	SWL 302 Substructure (Wharf J-9)	PIER	$4,948	$0	$1,873	$6,821
3020	SWL 302 United Shellfish Processing	SIMPLE	$0	$16	$46	$62
3030	SWL 303 - Alioto Fish Co,	BASIC	$0	$353	$197	$550
3030	SWL 303 - Cal Shell Fish	BASIC	$0	$298	$131	$429
3030	SWL 303 - Cioppinos/(Hoppe)	BASIC	$0	$622	$306	$928
3030	SWL 303 - Franceschi's Restaurant	BASIC	$0	$122	$99	$221
3030	SWL 303 - GP Resources	SMALL	$0	$31	$0	$31
3030	SWL 303 - SP Tarantino/Martell Ins	SMALL	$0	$0	$0	$0
3030	SWL 303 - The Bay Company, Hoppe, Arthur N.	BASIC	$0	$274	$224	$498
3110	SWL 311 Pier 39 Garage	SIMPLE	$0	$823	$6,489	$7,312
3130	SWL 313 Embarcadero Triangle	SIMPLE	$0	$650	$3,077	$3,727

Bldg. No.	Building Name	Building Type	Backlog	10-Year Renewals	One Time Costs	Total
	Lot Assn.					
3150	SWL 315 Office Building (HHC Investment limited)	BASIC	$0	$4,626	$3,544	$8,170
3160	SWL 316 Houstons Restaurant	BASIC	$0	$529	$338	$867
3170	SWL 317 Office Building	BASIC	$0	$7,489	$3,890	$11,379
3180	SWL 318 Roundhouse One	BASIC	$334	$841	$540	$1,715
3180	SWL 318 Roundhouse Two	BASIC	$1,355	$1,003	$733	$3,091
3180	SWL 318 Sandhouse	SMALL	$0	$217	$0	$217
3190	SWL 319 Fog City Diner	BASIC	$0	$319	$124	$443
3220	SWL 322 ABC TV	BASIC	$0	$10,066	$4,543	$14,609
3310	SWL 331 & 332 Delancey Street Foundation	BASIC	$0	$5,474	$4,393	$9,867
3450	SWL 345 - SF Boat Works Office/Shop	BASIC	$188	$269	$207	$664
3450	SWL 345 - SF Boat Works Storage/The Ramp	SIMPLE	$159	$0	$171	$330
3520	SWL 352 - Backlands Redevelopment	BASIC	$2,505	$0	$0	$2,505
1620	Third Street Bridge House	SMALL	$0	$0	$0	$0
3270	Waterbar Restaurant	BASIC	$0	$0	$0	$0
5470H	Wharf J-11	PIER	$0	$0	$0	$0
5470	Wharf J-4	PIER	$87	$0	$0	$87
1490	Wharfs J-1 and J-3 (Pier 49)	PIER	$0	$0	$3,176	$3,176
	PORT TOTAL		**$586,931**	**$523,001**	**$929,861**	**$2,039,794**

APPENDIX B - Allocation Strategy for Port Capital Funds

The Port's process for allocating its own limited capital funding involves a series of meetings with designated representatives from each of the Port's seven Divisions – the Capital Projects Working Group ("CP Group"). The CP Group developed the Port's evaluation criteria for capital projects, and weighting for each criterion. Annually, the CP Group allocates a total score to each capital project proposed by Port staff.

These first set of "evaluation" criteria address public safety concerns and conformance with the Port's mission, as set out in the Burton Act and Transfer Agreement of 1969 and are scored as follows:

Review Criterion	Maximum Score
Does the project address a code or regulatory issue?	20
Does the project significantly reduce liability to the Port?	15
Does the project promote maritime commerce, navigation or fisheries?	10
Does the project attract people to the waterfront?	10
Does the project protect natural or cultural resources?	15

The review process also employs two complimentary ways of scoring capital projects that would bring in additional revenue and/or reduce operating costs, the first intended to capture the efficiency of the investment, the second, the scale of the financial impact:

What is the payback period, if 10 years or less?	10
What is the total 10-year financial benefit to the Port?	20

Where a project would pay for itself in 10 years, that project was scored by subtracting the payback period, in years, from 11. For example, a project with a payback period of three years would score 8 points in this category.

To determine the score assigned for the 10-year financial benefit, the CP Group took the real benefits, as recorded in dollars, and then considered the distribution of all the values returned for projects at the end of the review process. The results were a rather even distribution, which made appropriate a simple method of scaling, where a project received 1 point for every $500,000 worth of benefit within the 10-year Plan. For example, a $4 million project that would generate $1 million per year in new revenues would score 12 points in this category [($10 million - $4 million) / $500,000)].

Finally, Port staff reviewed all projects to determine if they fell into one or more of the four major categories listed below. The CP Group determined that a project belonging to one of these groups was worthy of separate consideration either before or after other projects, depending on the category.

Prioritization Category

- Is the project required to address an emergency, defined as an immediate threat to human health or the environment?
- Is the project legally mandated by a regulatory order or legal judgment?
- Is the project substantially matched by outside funding sources?

De-prioritization Category

- Is the project non-revenue generating and does it have less than 25% in outside matching funds?

The project review process concludes with a proposed programming of Port capital funds over ten years based on the above evaluation, reconciled with estimated funding available each year, with greater detail and specificity contained in the first five years. The first two years, matched with available funding, then become the Port's two-year capital budget. The first year of this plan corresponds to the second half of the FY 2012-13, FY 2013-14 Two-Year Capital Budget. Also, the FY 2011-12 through FY 2015-16 Five-Year Financial Plan[14] reflects the capital budget in the first two years and forecasts available funding for the final three years based on this Plan.

[14] available at: http://sfmayor.org/Modules/ShowDocument.aspx?documentid=108

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FEBRUARY 12, 2013
MINUTES OF THE MEETING

MEMBERS, PORT COMMISSION
HON. DOREEN WOO HO, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. WILLIE ADAMS
HON. LESLIE KATZ

MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE MEETING
FEBRUARY 12, 2013

1. CALL TO ORDER / ROLL CALL

Port Commission President Woo Ho called the meeting to order at 2:01 p.m. The following Commissioners were present: Doreen Woo Ho, Kimberly Brandon, Willie Adams and Leslie Katz.

2. APPROVAL OF MINUTES – January 24, 2013

ACTION: Commissioner Adams moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor. The minutes of the January 24, 2013 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

At 2:02 p.m., the Commission withdrew to executive session to discuss the following matters:

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING AND ANTICIPATED LITIGATION MATTERS. (Discussion and Action)

a. Discuss existing litigation matters pursuant to California Government Code Section 54956.9(a) and San Francisco Administrative Code Section 67.10(d):

- <u>City and County of San Francisco, acting by and through the San Francisco Port Commission vs. Curtis Lind, Chaleur LLC, Paul Charlton, and Christopher Willson; and related-cross actions</u>; Superior Court of California, County of San Francisco (Case No. CGC-12-518382; filed February 12, 2012)

- Discussion and approval of proposed settlement of litigation with defendant and cross-complainant Christopher Willson, alleging trespass, nuisance on Port property. The terms of the proposed settlement of litigation between City and County of San Francisco and defendant and cross-complainant includes the removal and

towing of the vessel known as M/V Aurora from Port property, the Port's reimbursement of towing expenses not exceeding $47,584, and a mutual and full release of claims, and dismissal of the complaint and cross-complaint as between the parties.

b. Discuss anticipated litigation matter pursuant to California Government Code Section 54956.9(b)(3)(B) and San Francisco Administrative Code Section 67.10(d):

X As Defendant ___ As Plaintiff

- Facts and circumstances: The Port entered into an Exclusive Negotiation Agreement with Seawall Lot 337 Associates, LLC ("Developer"), effective September 15, 2010. The Port Commission has been advised that one of the two members comprising Developer has withdrawn from the limited liability company. A law firm representing an unknown party asserts that the Port's failure to reissue a request for qualifications and a request for proposals for a developer for SWL 337 is a violation of local ordinances and applicable case law.

(2) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. ***This session is closed to any non-City/Port representative:***

a. Property: AB 8719, Lot 002, also known as Seawall Lot 337, AB 9900, Lot 62, also known as China Basin Park, and AB 9900, Lot 048 and AB 9900, Lot 048H, also known as Pier 48 (all bounded generally by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street)
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development
*Negotiating Parties: Jack Bair, SWL 337 Associates, LLC

5. RECONVENE IN OPEN SESSION

At 3:35 p.m., the Port Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Brandon moved approval to adjourn closed session and reconvene in open session. Commissioner Adams seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon disclosed that the Commission voted unanimously to approve the Settlement Agreement with Christopher Willson described in Agenda Item 4.A(1)(a) and moved approval to not disclose any other information discussed in closed session; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS: The Commission Secretary announced the following:

A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. EXECUTIVE

A. Executive Director's Report: Monique Moyer reported the following:

- Fishermen's and Seamen's Memorial Chapel Open to the Public – January 11, 2013

  The Fishermen's and Seaman's Memorial Chapel which is in Fisherman's Wharf is going to be open to the public on select days at select times. They are open Mondays and Fridays from 11:00 AM to 1:00 PM. Historically, the chapel has been by appointment only. It is a nondenominational chapel. It is meant to be a tribute to many of the San Francisco fishermen and seamen whose lives have been lost at sea, and over time has also grown to be a memorial to those in our community who have contributed a lot to the Fisherman's Wharf area but have also passed away, not necessarily at sea. It is a wonderful sanctuary, it is a great place to visit. We get a lot of out-of-town visitors there. By pure donated hours of volunteerism, it will be open to the public on Mondays and Fridays, except Mondays or Fridays that are holidays, for a couple hours around noontime. Of course the chapel is looking for volunteers. If anyone out there listening would like to volunteer, please email your volunteerism to FishermansWharf@sbcglobal.net. We would really love to have you, and it's a very great, serene place to hang out in the inner harbor of Fisherman's Wharf.

- Jacky Douglas, skipper of salmon boat Wacky Jacky, inducted to the International Sportsmen's Exposition at Sacramento's Cal Expo – January 12, 2013

  Speaking of Fisherman's Wharf, our stalwart woman fisherman, Jackie Douglas has been inducted into the California Outdoors Hall of Fame. The California Outdoor Hall of Fame recognizes individuals with a profound

scope of outdoor accomplishments, and to be a candidate for induction, you have to meet one of two requirements. You either have to inspire thousands of Californians to take part in the great outdoors, or you have to take part in a paramount scope of adventures. Jackie Douglas, as you may know, is considered a maverick skipper of salmon boat, The Wacky Jacky. She has been piloting that boat for 50 years. She is now 84 years old, and in that time it's estimated that she has taken over 150,000 people out from around the world fishing outside the Golden Gate. She has donated her time and boat to the San Francisco Police Youth Fishing Program, the Golden Gate Fisherman's Association, the KGO Leukemia Curathon, and she has worked very tirelessly to protect the salmon fisheries, so that they can be fished, and is exceedingly happy this year since they can be. She's been to numerous State and federal hearings, as well as to Congress to testify on behalf of fishing of salmon. She passed her Coast Guard examination in 1972 and has since been taking people out to sea. She's also worked with newspapers, radio show hosts, and TV broadcasts to bring the outdoors that she loves into everyone's home. It is with great pride we want to acknowledge and congratulate her on her induction last month, January 11, 2013 into the California Outdoor Hall of Fame. If you see her, please congratulate her.

- Brannan Street Wharf Lane Closures – Complete closure northbound 8 p.m. February 8, 2013 to 8 a.m. February 9, 2013; One lane closure northbound 7 a.m. February 11, 2013 to 7 a.m. March 4, 2013

  A more difficult issue is to remind everyone that the Brannan Street Wharf Project is coming along terrifically. On Friday night, it was just shy of 10 hours of cement trucks were pouring concrete there, one truck arriving every three minutes. It was quite a sight to behold. That pour went up without a hitch. Now we are into the hard part of repairing the seawall and repairing the promenade that sits on top of it, and to do that requires the use of one of the lanes of the Embarcadero. The work is being expedited as fast as it can go. It will be occurring over the next three weeks. The northbound lane closure that exists from approximately Pier 38 up past the Brannan Street Wharf to Bryant Street will be closed for the next three weeks, resuming to be open again on Monday, March 4, 2013. This is a really important attribute of the project, repairing the seawall and helping to protect that area for what we know to be rising sea levels in the next half century. We're very pleased to be doing the work and we beg everyone's indulgence as we work hard to protect everyone's enjoyment of that part of the waterfront.

- Pier 27 Cruise Terminal Ribbon Cutting – February 26, 2013 at 11:30 a.m.

  It's with great pride that I announce that we are nearing completion of phase one of the James R. Herman cruise terminal at Pier 27. Phase one will be conclusion of the corn shell of the building. After we complete that construction, the building will go forward for its first event ever, which will be

to host the 34th America's Cup village at Piers 27/29. I hope everyone can join us on Tuesday, February 26, 2013 at 11:30 a.m. at Pier 27 for a ribbon-cutting with Mayor Lee as well as an official launching of the 34th America's Cup at that site. We look forward to seeing everyone there, and my congratulations to all of the port, city and contractor staff who have worked so diligently to get us to this point. It is a tremendously great coup for the port, and I hope everyone enjoys the building as much as I do.

B. Informational presentation regarding the Port's 150th Anniversary Celebration (April 24, 2013) and Maritime Day at the Port (April 28, 2013).

Monique Moyer introduced Renee Martin, Public Relations Manager, and the person who drew the straw to lead up our 150th anniversary efforts. She's doing a fabulous job with very limited resources, but very proud of her.

Rene Martin, Public Relations Manager - It is my pleasure to announce the upcoming celebration of the Port's 150th anniversary. On this date, April 24, 1863, the Port was established with the California State Legislature's creation of a State Harbor Commission which oversaw the development of the Port, especially the building of the seawall that continues to serve our great city today. The Port's heritage began following the Gold Rush era, during President Abraham Lincoln's term, and during the Civil War. Some of the historic events that have taken place during the port's official lifetime include the city's forefathers laid out the city streets and the historic finger piers that were built, the Ferry Building opened in 1898, the 1906 earthquake and fire occurred city-wide, the Panama Canal opened in 1914, the World's Fair was held in San Francisco in 1915, and a San Francisco general strike on the Port's waterfront occurred on Bloody Thursday in July of 1934. The Bay Bridge opened in 1936, and the Golden Gate Bridge opened in 1937. During World War II, the Port operated almost exclusively for military purposes .Those were the years 1939-1945. In 1969, the State returned the Port to the city by the way of the Burton Act in 1968 and the transfer agreement that happened in 1969. These are just a few of the historic events that have taken place during this time.

Obviously, the Port has continued to transform through the decades of the '70s, '80s, '90s, and the 2000s of modern times today. Throughout the Port's 150th anniversary, the Port will be acknowledging the past, celebrating the present, and building our vision for the future. Beginning in April and throughout the remainder of 2013, the Port has plans to have events and activities on the waterfront and throughout the city that highlight the port's rich maritime and cultural history. We want to showcase the vibrant people port that the port has become today. We will use the 150th anniversary celebration as an opportunity to remind the public about the port, who we are, what we do, how we intersect with the public's daily life, and the many public benefits that are available at the Port today.

On Wednesday, April 24, 2013 at 11:00, we will start the day with a big birthday bash at Pier 39. At this media event, Pier 39 and its partners will present the

Port and city officials with a huge birthday cake and provide music and fun festivities to kick off the Port's big birthday celebration. On Sunday, April 28, 2013 the Port will host a daylong public Maritime Day celebration on the waterfront that extends the entire seven and a half miles of Port property from the Hyde Street Pier in the north to the Heron's Head Park at Pier 98 in the south. These family fun activities will include public boat tours, historic lectures, bicycle rides, photo exhibits, art displays, and special offers by various tenants and constituents on port property.

I have more to talk about in terms of ongoing celebrations, but before I do that, I'd like to invite Dan Hodapp to tell you about the Port's pylon project and banner program.

Dan Hodapp, Port's Planning and Development Division - I would like to briefly tell you about a couple of architectural features we are developing that will celebrate the Port's 150th, one of which will share the Port's rich history, and another that speaks to today by illustrating how people can use the waterfront. A purpose behind both of these is to entice the public to want to visit and support the Port. The first is to add 20 interpretive pylons along the length of the Port's property. The pylons will be 15 feet tall, three foot diameter columns crafted out of corrugated tubing by the Port's maintenance division, and each will display a historic image and a short story about the area of the waterfront where it is placed. A second panel on the pylons will tell an interesting fact about the Port titled, "Did You Know", which will be a short, memorable bit of information that we hopefully will all want to share with our friends, a piece of fun information.

The pylons would be adjacent to the Embarcadero roadway, very noticeable, very out there in their placement, and helping to celebrate the Port's 150th. The second part of the program is a series of images that will illustrate how the public can use the waterfront today. These will be displayed as banners on light poles on the Embarcadero Promenade, and will also be available as backdrops for events, posting on websites, and possibly other commemorative items. They are colorful, are intended to be easy to understand and easy to remember. Both of these features, the interpretive pylons and the banners, are to be up from April 1 to November 1, 2013.

Rene Martin - Commissioners, there will also be an ongoing series of calendared celebratory events and activities that happen throughout the remainder of the year, including museum exhibits, lectures, a film festival, and interpretive displays, amongst other things. We invite the public to participate in all of these various celebrations, and welcome any new ideas or thoughts that the public may have to enhance the Port's anniversary celebration. We also will have commemorative merchandise on sale for the public, including replicas of the very cool banners that Dan just displayed. Commemorative merchandise would include t-shirts, banners, caps, mugs, postcards, posters, etc. that would be available for sale to the public.

Besides Dan and myself, I would like to acknowledge several other of our colleagues at the Port who are hard at work on the 150th anniversary. That includes Gerry Roybal from maritime, Jay Edwards and Vicky Lee from our real estate division, Damon Burgett, Lourdes Juarez and Mark Paez from the planning and development division, Dave Rauenbuehler from maintenance, and Megan Stevenson from public relations. We hope that everyone will join us in celebrating the last 150 years, and continue to participate in the Port's exciting future.

Francisco DaCosta - I'm here to make a few comments about this celebration, the 150 years that the Port has been here. First and foremost, we must remember that all of this land that we see not California in its totality but San Francisco and the Bay Area belongs to the Ohlone. Director Monique Moyer, who is my good friend, is sensitive to this issue. Therefore, in some way we have to factor our respect to the first people, because we are San Franciscans.

Secondly, the National Park Service can aid you all in giving some respect to the buffalo soldiers, all-black soldiers who were here, the 9th and the 10th Cavalry, the 24th and the 255th regiment, all of them stationed at the Presidio, but who used a lot of the facilities over here. The Coast Guard, Captain Haley, do have a few photographs of him, but I think we can pay a deeper respect to the Coast Guard.

The 7.5 mile area that you see here is public trust land, and many people do not like to study the language that goes into the public trust land. This land belongs to all Californians, and therefore, we have to reach out in some measure. There are some TV stations in Sacramento that reach everybody in California to bring to their attention about this great occasion that we are celebrating. Finally, we have five women who saved the bay. If they had not acted in a manner, they would have acted, much of what we see today would be in-fill. I will make sure that I will write something and send it to whoever's in charge.

Commissioner Leslie Katz – This is very exciting, and I want to thank everyone for their hard work. I love the poster displays and the artwork and the opportunity to really show off our port. I want to thank all of you for that. I thought the pylons actually looked terrific, and I was wondering how long will they be up, and then is there some place that we could potentially relocate them so they might become more permanent in some fashion? The prior speaker made some very good points, particularly about the Ohlone and perhaps recognizing some of the activities along the shore that the Ohlone's undertook. I know we're finding a lot of interesting discoveries as we dig up places along the waterfront. It might be nice to recognize some of that.

Dan Hodapp - The pylons are set to be up for seven months, from April 1 to November 1, 2013. Our crews will be fabricating those. They are a kit of parts, meaning they have an internal frame and an exterior metal tube and then a graphic wrap around them. They can be completely disassembled and they could be moved and installed somewhere else. They're lightly fixed to the

ground with about 1,600 pounds of weight in the bottom of each one so they don't tip over in a strong wind or an earthquake, fully engineered by our port's engineering group but, they could be moved to another location should the Port Commission desire to use those in another spot on port property in the future. The materials are reusable in that manner.

The previous speaker's comments about the three women from Save the Bay, Dorothy Erskine, we have those on one of the pylons. I look forward to receiving from Mr. DaCosta some of the other information. I think we are in the process of finalizing this information, but we do not have it completely done, and I welcome the public input and the valuable information that can be brought forward.

Monique Moyer - I would just add that on one of the other pylons that will be placed in Mission Bay, we do have a reference to the first people being there and their contributions, and we've also invited the head chairwoman of the Ohlone to be on our host committee, but I don't know that we've heard back.

Dan Hodapp - Director Moyer has had a large personal commitment to the content of these pylons as well.

Commissioner Katz - I think it's very exciting. On the April 28 Maritime Day Celebration, will that be somewhat akin to a Sunday streets kind of program where the streets will be shut down so it'll be very accessible?

Rene Martin - It will be a daylong celebration on Sunday, April 28, 2013. We will not have street closures, however we will have activities along the seven and a half mile stretch. I'll have a calendar with the various activities. It's family oriented, and we invite the public to come and help us celebrate.

Commissioner Katz – Mr. DaCosta's comments about getting onto some of the probably State channels up in Sacramento, I don't know how that works, but that actually seems like a great idea to get the message out in a relatively inexpensive way to others around the State that might want to come and visit our beautiful waterfront.

Rene Martin - I agree and I'm the right person for him to contact, so I will be in touch with him as well to get that information.

Monique Moyer - I would like to take the opportunity to point out that on Maritime Day and then at other times during the year, we are looking for guest lecturers, and so if Francisco was volunteering to be a guest lecturer, we would certainly take him up on that, and anyone else who's listening. In 150 years, there probably isn't a stakeholder group that we haven't touched in some way, and we'd really love to hear from those people who have a passion for it and would like to come forward. We're going to be reaching out to Ian Ruskin, who does the one-act play on Harry Bridges, and different ideas like that.

Commissioner Katz – Corinne Woods gave me some wonderful books when I first joined the Port Commission. We might reach out to some of the authors of the different books that have covered the history of the Port and different areas of the waterfront.

Monique Moyer - We're thinking *Vanished Waters* would be a good one, which is the Mission Bay book.

Renee Martin - We do have a couple lectures scheduled, Michael Corbett who wrote the *Port City* book, and also Jasper Rubin, who wrote *Negotiating Landscape*. They're both going to be participating in our lecture series.

Commissioner Katz - We should get some futurists onboard too, to see where we're going to go.

Commissioner Adams - I really appreciate this presentation. It's breathtaking to think of the accomplishments this port has had in 150 years. We basically started in the Gold Rush ages, and now we're in the age of the Jetsons, and what we've done is the past connecting to the present and we're spring boarding to the future and beyond. The citizens of this great city should come out to the port, they should enjoy this port, because this port belongs to every citizen, no matter their economic background, they should come down and enjoy what we're having here. We have a lot to showcase in this city, and this port is a gleaming light in what's going on in here, and how it's transformed. The history and the people that accomplished a lot of these things helped to bring the port to where it's at today. I'm looking forward to being involved with it. I appreciate the brother who spoke about the indigenous people, the first people. They should always be acknowledged for their work, whether it's the aboriginal people or the Maori people in New Zealand or the Native Americans or those that were here before, because they're all Americans, they're a part of this, and it took everyone to get us, and everyone made a contribution. I appreciate you bringing that out, and that needs to be highlighted.

Our kids need to know about this. I'd like to see a lot of kids from our school, and kids from other maybe deprived areas be able to come down to this port and see what's going on and be educated and brought up to speed, because the children, they don't really know. The only thing they know, what goes on in their neighborhoods, and they need to know this great city and also what's happening in this port, and how it's moved and how it's evolved. When you look at it, they're going to benefit for everything that's going on now and beyond.

Commissioner Brandon - I think those are great suggestions, great recommendations, especially to try and provide a time for kids to come and learn and have tours of the Port. That's an excellent idea. I want to thank you and Dan for all the work that you've put into this. This is really exciting, and I'm glad that it's not just a daylong celebration but a yearlong celebration, which is really going to give us time to showcase the Port and all its happenings. I would like to thank all of the staff for all of your work in this.

Commissioner Woo Ho - I agree with all my fellow commissioners. It's been great to see the celebration in terms of the rich history of the Port, all the things we've accomplished and all the things you mentioned and all the other major milestones that we do recognize in the Bay Area, but then this outdates many of them. This is a great celebration. I just wanted to mention a couple things, I'm sure it's on the list, but if we could formally get the CACs to also recognize and do something in their activities to commemorate the 150th anniversary, so the word goes out to all of our communities and our neighborhoods. During the Maritime Day celebration, I hope that some of our other retail tenants are going to get involved. Perhaps do something that is a little bit more outside instead of just inviting people in, so that people really feel a noticeable difference in terms of inviting the public to come down to the waterfront.

Lastly, to echo the comments that have been made by Commissioner Adams and Commissioner Brandon in terms of the kids getting them involved, and how we can outreach to the schools, I know we've talked about that you don't have anything particular that the Port kept for exhibitions, but there are some exhibitions. Maybe we can make an outreach to make the kids more available to come to the waterfront, to understand what's here and appreciate it, as well as the history. I know it's a lot to ask because they're just about to open, whether the Exploratorium could do something maybe not in April, because they're focused on reopening, but could they do something in particular, since they would be a great magnet for a lot of families in the city to come, because it's new, and where they could spend a little time figuring out how they could join in this and highlight it, so that would be the venue, so to speak, to get the kids down here as well.

Rene Martin - Thank you, commissioners. All of your comments are well-taken. We have reached out to not only the San Francisco Unified School District, but all of the various city departments. Director Moyer has sent a letter, and we've gotten great response back from the various city departments. In particular, we do want to get the children involved in the waterfront. Regarding your comment about other core tenants and constituents, we are working closely with not only just the restaurants, but we're working with the Exploratorium on an exhibit there, and we're reaching out to the various stakeholders to make sure that everyone is aware and has an opportunity to participate.

Commissioner Woo Ho - And my last comment, which you already have heard but I'll just say it for the public, we're celebrating the rich past and we're celebrating what we're doing today, and as you know, we're so busy these days in terms of carving a new future, and as I call it, the renaissance of what's happening on the seven and a half miles, and with all the projects that we're working with, whether it's the museum or whether it's the open space which is near and dear to people like Corinne, or whether it's some of the major real estate projects. Hopefully in this celebration that we're going to do throughout the year, that we can portray the vision of the future of what the waterfront means for the city. It is kind of redefining the skyline. Especially once we get the new arena, people coming by will be very different. Hopefully we're conveying

that excitement of what's to come as well as what has been and what we're doing today, which we'll see over the next 10-15 years is going to be a major change in what the waterfront means for the city.

Commissioner Adams - Following up on Chairman Doreen's comments, that is so true. I can see in the future that this city is going beyond just being San Francisco. With the Giants, the Exploratorium, the James Herman cruise terminal, etc. we no longer will be San Francisco. Everything in this waterfront will be defining the Bay Area. We've went beyond limits. It won't be San Francisco anymore. Everybody in the Bay Area will benefit from what we have here, because they don't have a cruise terminal in Oakland, but that state of the art cruise terminal named after James Herman, the only cruise terminal in the world that will be named after a labor leader, who was the president of our union for many years. He was not only a great union leader but a great community activist. His work in helping to get Delancey Street, and giving back, these things will come forth. As Doreen said, the new future that we're creating, and Mayor Lee, this will be part of his legacy, all of us in this room, this will be a part of our legacy as we set this forth. Also the young kids, this will be a part of their legacy, and I think it's so important, and I agree with you, commissioner.

9. CONSENT

A. Request approval of travel for a member of the San Francisco Port Commission to Shanghai and Beijing, China to attend the Breakbulk China 2013 Conference and make marketing visits to Port shipping Customers with members of Port staff. (Resolution No. 13-02)

Commissioner Adams recused himself from voting on this item.

ACTION: Commissioner Katz moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor. Resolution No. 13-02 was adopted

10. REAL ESTATE

A. Informational presentation on Real Estate and Maritime Revenues for the First Quarter of Fiscal Year 2012-13.

Nate Cruz, Financial Analyst from the Real Estate Division - I'm here with my colleague from maritime, Marilyn Yeh, to present the revenues that came in the first quarter of fiscal year 2012/2013. Without getting into all the detail that's provided in your packet, we thought we would just provide some of the highlights, starting off with real estate. Some of the operating indicators that we use to judge our own efficiencies are vacancy rate, being the first. Right now, the vacancy rate is incredibly low compared to our history as well as just the market as a whole. That's due to a couple of different things that are happening on both the supply and the demand side. The demand for real estate has come up as the economy has improved. The supply of available space, America's Cup has

had a pretty big impact on that. Not only did they take down a number of our facilities, they displaced some tenants that have further taken up other vacancies on non-race venues. There's not a lot available today on the port to lease. I should say that these vacancy rates are only for the facilities that we directly manage. It doesn't include buildings like the one we're in today or Pier 39. It also does not include raw land.

The other indicator that we use is delinquency rate, the amount that's outstanding or overdue as a percentage of our annual revenues. It's been hovering around 4 percent. It has come down a little bit when compared to the same quarter the prior year. That's due to some ongoing collection successes. The bigger story there is that there's one account that represents over half of the outstanding amount. Once we're able to resolve that, the delinquent rate should drop by more than half.

Moving on to the actual cash that came in the door during the quarter, predictably we lost revenue in the industrial space -- shed and storage facilities, and parking lots. This was due to the America's Cup project, as well as the displacement that occurred where the cruise ship terminal is being built. The memorandum of understanding that we have with the city to reimburse us for some of that lost rent due to methodology or complications in the MOU has not yet generated revenue for us, although we're predicting that to occur in the future quarters. The reimbursement doesn't include any lost rent from the cruise ship terminal footprint. That was a project that we had intended to do in any case.

Finally, I want to point out that a lot of these lost rents are being offset from great performance in our parking meters and parking fine revenue collection, and we're hoping to see that be maintained to the end of the year in future years.

Marilyn Yeh, Financial Analyst from the Maritime Division - On the maritime side, quarter one revenue is up by 25.4 percent, and the favorable variances mainly come from two sectors, cargo and ship repair. On the cargo side, cargo activity is up due to San Francisco Bay Railroad growth, driven by nearby construction projects, and a one-time shift in payment timing as well as demand in aggregates increased. Under ship repair side, ship repair activity is up as a result of dredging and central basing completed in September 2011. With that, it allows bigger ships to come into the yard for larger repair projects.

Port-wide revenue is 2.7 percent up in the first quarter compared to the same quarter last year. Port staff expected and projected the growth will continue through end of fiscal year.

Commissioner Woo Ho - Could you just remind us the total square footage of the real estate that is currently occupied? I believe it's 2.3 million square feet and that obviously does not reflect the master tenants. Is that what we manage directly, 2.3 million square feet?

Nate Cruz – Yes it is.

Commissioner Woo Ho - I think that's right. I answered my own question. I want to know, since the city has now adopted parking meters enforceable on Sunday, is the Port following that as well, or has it always? What was the policy before?

Nate Cruz - The latter is the case. We had always had Sunday meter operations.

Commissioner Woo Ho - That's not going to affect the revenues. I want to know whether it's just a quarterly timing issue, because I thought we were hearing earlier that we were going to have more cruise ships stopping, but the revenue was down in the first quarter. Is this a question of timing that we expect to make up in the rest of the year, or do we now see a different trend for cruise ships going forward?

Marilyn Yeh - For the first quarter, we have 3,000 passengers less compared to last quarter, however for the full year, we're going to have 65 cruise ships versus 59 last year. In the passenger side, we're going to have a total of 200,000 passengers versus 159,000 last year. We're going to have more than last year.

Commissioner Woo Ho - We'll have more passengers, but the way we generate cruise ship revenue, is it by ship, in terms of docking charge, or is it based on the number of passengers?

Marilyn Yeh - It's by the number of passengers, we charge $12 per passenger times number of passengers and if it's beyond 24 hours, we can charge a docking fee as well.

Commissioner Woo Ho - We appreciate the presentation. It's good to know what the trends are, and it's positive that we're seeing all the lines moving up.

11. ENGINEERING

A. Informational presentation on the Port's Load Restricted (Yellow with Green Hatching-Tagged) and Fully Restricted (Red-Tagged) Facilities.

Sherban Duncan, Port Engineer and also a member of a facility assessment team - This team manages port's facility assessment program. The program inspects, categorizes, and records the condition of over 350 structures, which includes piers, wharfs, and buildings under the port's jurisdiction. We have already completed the inspections and the reports for each facility. The purpose of this presentation is to inform you about the port's load-restricted and fully restricted facilities. This presentation identifies those structures which port staff recommend should be repaired in the near future, in approximately five-year timeframe, to avoid having to shut down these facilities. This presentation is also an update of the list of facilities which was presented to the Port Commission in September 2009.

For each facility, the selection inspection findings and recommendations are summarized in a rapid structural assessment report, also known as an RSA, which includes a structural ranking of the respective facility indicated by a coloring scheme, shown on a schematic map of the facility. The structural rating coloring scheme is green for unrestricted use, good structural condition, no live reduction or restrictions. Yellow with green hatching is restricted use, load limit signs indicating reduced live loads and/or barricades, further structural review and structural repairs required. The red tag facilities are facilities with restricted access, unsafe, poor structural condition. The map that I'm using for my presentation depicts the current structural ratings of the port facilities. You can see facilities that are green, some of the facilities are yellow with green hatching, and some of the facilities are red. This staff report presents a detailed list of the current yellow with green hatching and red-tagged port facilities.

I'd like to address the structures that should be repaired as soon as possible. Starting with the yellow with green hatching tagged facilities, the following is a list of nine load-restricted facilities that port staff recommend be red in the near future, a five-year timeframe, to avoid being shut down, red-tagged if the repairs are not executed.

Wharf J9 seawall in Fisherman's Wharf. The roof deck support's eroding, and the backfield behind this seawall is a critical support for the foundations of a number of Fisherman's Wharf buildings. As you can see, laggings are deteriorated. Same thing can be said by the vertical elements by the piles. The seawall repairs are needed in order to keep the backfill in place. If we lose the backfill, we'll experience unequal settlement of the structures above.

Pier 43½ seawall and wharf between Franciscan restaurant and Pier 45. This is a similar construction to J9. Again, we're dealing with damaged lagging and damaged piles.

Pier 35 substructure including south apron. This is a concrete structure. It was built in 1914, extended in 1932. Port engineering will design only the critical substructure repairs, and it'll allow the continued function of the pier. Most of the beams are damaged.

Pier 29 substructure, including the north apron. Port engineering recommends that all structural members with severe and major damage be repaired at this time. Same reason is for Pier 35 to continue the function of this pier. America's Cup is currently using Pier 29, however the loads imposed on the structure are reduced loads. Sherban Duncan,

Pier ½ marginal wharf. In this picture, you can see that the structure is on piles over water. The parking was demolished. The main structural steel beam is extremely corroded and needs repairs. With completion of this critical repair, the structure should perform adequately as motorcycle parking for the next 10 years.

Agricultural Building, its apron, and south apron. If repairs are not made, Port engineering will not allow vehicles to access the south apron. Then the south apron and the east apron will only be available for pedestrian traffic. You can see a corroded rebar, missing rebar, sprawling of concrete. Definitely not the definition of reinforced concrete.

Pier 2 superstructure and substructure, Sinbad's restaurant. Per our agreement with BCDC, the Port must demolish that restaurant building by 2015. Barriers will be located to prevent access over damaged substructure locations.

Pier 54 substructure. Pier 54 has many damaged beams. You can see exposed rebar, missing rebar, spoiled concrete, damaged piers. The estimated cost to perform the repairs is $21 million. This includes substructure repairs and seismic strengthening.

Pier 92 apron section. This is a very important pier for the port. Some of the piles have been wrapped for purpose of protection, and some of the piles are unwrapped. In general, the life expectancy of an unwrapped pile is about 10 years. All wood piles have incurred dry rot. We feel that the repairs will make this facility function for the next 10 years without repairs.

The yellow with green hatching tag facilities which we can see there for the 10-plus year functional life span. Included in this staff report is a table listing load-restricted facilities that port staff recommends we repair in the future. Port engineering estimates that these facilities can adequately perform for another 10 years without executing repairs. The facilities new to the table i.e. facilities you have not seen in the report in 2009 are depicted by light shading.

Red-tagged facilities may begin to collapse in the near future, near future meaning by somewhat of a five-year timeframe, and requiring investment and/or emergency demolition. Engineering will focus on continuous monitoring of these red-tagged facilities. This needs to be included into our work. The report includes a list of red-tagged facilities that Port staff recommends to be repaired or demolished. The facilities new to the table are depicted by light shading.

With respect to the yellow with green hatching tagged facilities that are recommended to be repaired within five years, some of those projects are fully funded, others are partially funded, and some have no funding. The capital project group is currently prioritizing the allocation of available capital funds. Regarding the remaining yellow with green hatching tagged facilities and red-tagged facilities, the Port has very limited capital funds available for these future capital projects. The estimated total funding requirements for structural repairs only are in the hundreds of millions of dollars, whereas the annual available capital funds for pier repair typically total $1.5-$4 million. In the coming years, 10-year capital plan shows the full maintenance of the piers is $2 billion. Port staff and the Port commissioners will continue to set priorities for the deployment of our limited resources.

Commissioner Brandon – There's a lot of work to be done.

Commissioner Woo Ho - I'm trying to connect some dots here, and appreciate that this is a very comprehensive update on what's happening with all our facilities and some of them are new since the 2009 report. I understand that there's some funding available. What I'm trying to understand, since we're going to have a capital plan report, is if it's listed here as either red or yellow-tagged, does that automatically mean that it has to go on to the capital plan list, and then whether the funding has been solved or not? I'm trying to figure out how this is going to feed into the next presentation, so that we understand we have a comprehensive view. From the engineering side, we now understand all these various issues. The second question would be, in some cases where it's more comprehensive for the pier, whether this may push some urgency even though we are up to our gills with so many different projects, if there was a developer to come along and solve some of the pier with the substructure issues we are seeing with Pier 30, 32, and etc. does this then change the way we think of our timing of trying to get some of these other piers developed by others? I know that we're very busy these days and it's not like we have a lot of capacity. I'm just trying to figure out how our strategy to solve this over the long-term, in addition to the fact that we don't have the money at the moment to solve everything at once, and even if we did probably could not do all the work at once anyway, because it's usually not just a question of funding, it's also a question of resources.

I'm trying to put this into the picture so we can see our way out of this in the long run, and to be able to prioritize with everything else that's going on. That's a lot that I just said, but nonetheless request you to respond.

Ed Byrne, Chief Harbor Engineer – Thank you Sherban for that detailed presentation. I think you did very well. The purpose of the facility assessment team is to basically identify issues with the port. I've been here 19 years now, and we didn't know what the condition of the facilities was for a while, and actually were accused of walking around with our hands over our eyes on things, because things were very obvious and not in good state of repair. We made a wholehearted effort to go through and review these facilities and document them. We're in a very good time right now where we can say, we have all our RSAs for all our facilities, and we have a really good idea of what we have out here. We've taken those facilities that are not suitable for public use out of use. Those that are marginalized, we have them load-restricted now, and we've identified opportunities for future investment.

In some cases, just by knowing this, it might also say that we're going to take some facilities out of use, but it's really not the determination of this team to really answer the question that you're asking. I think that's a bigger port-wide issue, and a question that comes up that is solved somewhat in the 10-year capital plan that we'll be discussing in the next couple items. The engineering division participate in that as members of this capital planning team, and we go through a rather detailed assessment of each of our facilities as they come up,

or as other opportunities arise to determine what we're going to do and how we're going to deploy the funding going forward. Some of the facilities being red-tagged will be taken out of use because there doesn't seem to be a good use for the facility with the amount of investment required. For example, the Pier 54 substructure, we're currently using it a very lower level than what it was originally designed, but we are using it. There's a time in the next probably five years, and that's really a judgment call, and we don't know. The concrete's pretty strong, still, even after all these years, and the rebar's exposed, and it could stay up even long. We'll go back and reassess that assessment we've made but in the case of Pier 54, it's probably not one that we want to invest any large amount of money to seismically upgrade it.

Other facilities, very well could, and it really depends on what kind of market is out there, how we're poised to be meet the economy. The economy's picking up, and so more real estate is better. Some investments in these piers could be strategically placed and get a good return. I don't know if that answered your question.

Commissioner Woo Ho - I understand that your job was to determine the status and to give us a report. I guess from the commission standpoint, what I'm asking is, there's various pieces that have to be put in this jigsaw puzzle, and for us as a commission to be able to help figure out what is the next step, because this is not the last step. Obviously there has to be a next step. We're trying to figure out how the next step works intradepartmental within the port, in terms of whether it's planning, development, finance, or whatever. What I'm asking is, how we will get to the next step so we understand how all these pieces fit into the jigsaw puzzle, and then we can then give direction in terms of prioritization or whatever. I'm sure that all of you are going to continue to think about what the solutions are, but somehow we have to think our way through it. I'm not asking you to answer all the questions immediately, but it seems like we do need the bigger picture of how all these pieces connect, and how the puzzle's going to come, larger picture that we can all see.

Monique Moyer - The answer to your question is yes, the identification of these assets and their incorporation into the 10-year capital plan has resulted in the port having funding strategies. For example, the pursuit of SB815, which is now manifesting itself in the potential development at Seawall Lot 337 and the possible development of Seawall Lot 330; for example, the securitization of IFD monies. Our original rationale for going to get those monies was to try to find other sources to address some of these issues, and with each year that goes by, we are finding that the cost of our facilities is changing dramatically in a negative direction. We are also trying very hard to maintain our own balance sheet for bonding capacity. The prioritization was made some time ago to share some of that balance sheet for the purposes of building the cruise ship terminal, and then we were fortunate in our obligations as it related to the America's Cup to be able to make investments in some facilities that would've otherwise been on this list.

The reality is, though, as the capital plan shows, that plan of finance does not begin to equal the need of the next 10 years. The projects that Sherban identified for needing more immediate funding in the next five years have played a permanent role in how we've looked at the next item, which is our capital budget, our operating capital budget, and what can be funded in that two-year look, as well as what will have priority in the capital plan. As we go through the next two items, that's where we would ask the commission to help us with the prioritization, and maybe give us some feedback on what you find of critical importance. Does that help?

Commissioner Woo Ho - It does help, but I'm just saying, do help us to connect the dots. We'll try to see what happens in the next presentation. I do have one technical question. In terms of the WETA expansion funding, where does the funding come for that?

Monique Moyer - A large part of it is coming from something that was regional measure one or two, which was a $1 surcharge on the Bay Bridge enacted many surcharges ago. A lot of that funding is to come from that.

Commissioner Woo Ho - Whenever we say that WETA funding possibly could help with this particular issue, that would be another third source of funding for us that we don't have to generate for ourselves?

Monique Moyer - A third-party source, that's correct. You pointed out Piers 30/32, so at this point in our strategy, we are looking, and have for a long time, for a third-party developer with Piers 30/32, just as we have for Pier 70. We are making progress on both of those. They could have an important impact on what the unfunded liability looks like going down the road.

Commissioner Woo Ho - A couple of the ones I just picked up, Pier 29, Pier 19, and then we talked about Pier 54, are those things that from a planning and development standpoint we want to look at alternatives where if somebody comes in they would take care of the substructure issues along with the development? That's the kind of picture we want to get as the commission.

Monique Moyer – Yes, that is something that we do look at, and I would add to that list Pier 38. We've been toying with Pier 31, as well. Those are things we are still continuously developing and trying to understand market conditions. Obviously the market is improving in our favor, but the costs are still pretty strong. Pier 15 would've been on that list once upon a time, and so when the Exploratorium came to us to ask for a good home, we thought that would be a good place for them, and it helped solve our need as well as their need, and it drove the negotiations around the development project itself. Likewise with Pier 17, which was phase two of their project.

Commissioner Adams - Are we able to get any federal funding? Because when I think about the port, we lack infrastructure. Unfortunately for us, China spends more money in one month on infrastructure than we do all year, and our ports

are really hurting. The only way that we're going to be able to compete is to get some kind of federal money. I know they have close to $40 billion in that harbor maintenance fund, but that money seems to be drifting to Savannah and Charleston, and we could use it here. Leader Pelosi, Senators Boxer and Feinstein, I know they understand, and I've worked with Senator Boxer on this issue, and Leader Pelosi, but is there any way we can get some kind of federal funding, because we need it for our ports? We need the infrastructure, we have to compete. Everybody doesn't have the funding, and I thought Commissioner Woo Ho brought up a good point. A lot of people don't have the funding that the Giants or the Warriors have. We need this funding for these piers, because if the piers become inactive, then we can't bring maritime or whatever here, and then the port, the city, everybody loses revenue. I'm wondering, have we really pushed them? Because I know we spent a lot of time in D.C. lobbying on this issue. It's really important that we get some money, some federal money for our ports, and especially the ports in these areas here. I don't have a problem with the east coast ports, but I'm concerned about the Port of San Francisco.

Monique Moyer - Thank you for that, yes, absolutely. We have had some success, thanks primarily to Leader Pelosi, with respect for funding for the Illinois Street Bridge, for example, the central water basin, other places. In the capital planning report, there is an entire section of where we have identified federal funding opportunities. A lot of that, as I think you know, has been stalled. And Daley Dunham can go into more detail on that maybe when he gets to his item, but we can certainly always use more help advocating for that, and we appreciate all the help you've given us to date, and to that end we are advocating very hard for the harbor maintenance tax.

To your point also about not being able to continue with maritime, as you'll notice in some of the facilities that Sherban highlighted, oftentimes the shed and the piles under the shed are falling, but it's the aprons that have long been out of use. Pier 48 north, that apron has long been out of use. He highlighted Piers 26 and 28, 31 and 33. One of the reasons you don't see more ships here isn't because there isn't demand, it's because we don't have enough supply in our berths. That's why it's so imperative that every time we do projects, whether it's a public works project or it's a development project, we are rebuilding those berths, because they can't be replaced somewhere else and we know there is demand. To that end, again, I hate to belabor the point, but the Exploratorium project then rebuilt berths at Pier 17, which is where Bay and Delta moved around to, as well as the east face of Piers 15/17, and now the south side of Pier 15. Those berths will be coming online when that project is done, as well as a water taxi line landing. We've been very successful in these discrete projects, but the reality is we have 39 piers, and we've only been able to improve 11 so far. We have a long ways to go.

Commissioner Woo Ho - Obviously, the first step is always to recognize just what exactly we're facing, and what the issue is, so we do need to have this report periodically. We're just trying to figure out how the next steps follow, in terms of how we address them. It sounds like we have some new issues since

2009. I would ask that when you come back next time you're going to include the weight of the issues of maintenance, are they accelerating, or you think they're stabilized? You can always find new issues, but are we going to find ourselves with double the issues next time? Just give us your sense.

Ed Byrne - My sense of it now is that I think we have everything very well studied, where we've gone and made a site inspection, looked at it. We have a rapid structural assessment, a RSA that Sherban referred to on each one. We have a very good handle on the port's facilities today. The ones that we've identified as green with yellow striping and five-year duration, that's kind of a little bit of judgment, but I anticipate we're going to have problems with those. The red-tagged ones, those could, as Sherban mentioned, collapse. We're going to increase our inspections, matter of fact; we haven't really been doing any inspections on that to this point. We would red-tag them and move on to get this whole portfolio of facilities assessed. We have that, and now we're going to go back and visit the red-tagged ones more regularly. We really don't have a program to rate our timing on that, probably about once every six months or so just to check in, see if there's any eminent collapses going to occur, so those aren't a surprise.

To answer your question about new facilities coming in, I don't think so. I think it'll be more just keeping our fingers on the pulse of these ones that we have, that we've identified with problems, and work through those problems.

Commissioner Woo Ho - Thank you, there's a lot of work ahead.

12. FINANCE & ADMINISTRATION

A. Informational presentation on the Port's supplemental appropriation to the Fiscal Year 2013-14 Operating and Capital Budget.

Monique Moyer - Now, Elaine's going to explain why it's so important that we have net revenue to reinvest in all of this critical mass. All of the questions that you've asked, by the way, are key concerns of our rating analysts when we are in the public debt markets, and something that we are striving to resolve constantly.

Elaine Forbes, Deputy Director of Finance and Administration - Director Moyer did give me a good intro. I've been well setup by the two prior items, both Nate and Marilyn's item that discussed current revenues and showed improvements, and Sherban's report that showed this critical need. Looking at the budget going into next year, I'll be talking about the current plan to address many of the capital needs that you've just learned of, and then Daley will go into the long-term horizon over 10 years of what we're trying to do. I'm here today with Megan Wallace, our budget manager, and Lawrence Brown, our fiscal analyst, who does the capital budget. John Woo, our fiscal officer, is also here. It's quite a finance day. We love finance days.

Last year you approved a biennial budget. So, the budget for next year is fixed. This is the first time we're on an actual two-year fixed budget cycle. This means you're not required to make any changes to the budget for next year. That said, we do have the ability to make minor changes up to 5 percent of our total appropriation, about $4.5 million without triggering full-budget review by the Board of Supervisors. The city family is very eager for us to stay within our approval authority. They'd like to see a real two-year fixed budget cycle, so the Board of Supervisors can focus on our five-year financial plan and other policies on our off-budget year.

We are recommending that you make allocations within our limitation of $4.5 million to address changes in salary that are for our existing positions that are driven mostly by fringe, and to fund capital projects. These changes do meet all of our key priorities regarding our 15 percent operating reserve, our policy goal related to capital, 20 percent of revenues. We've also been monitoring very closely that we can meet our requirements for the America's Cup, and that our budgets, both in our capital projects and operating, are sufficient. These budget changes do not require new resources.

The total change we're requesting is $4.3 million, and as I mentioned, the first part, about $151,000, is just to respond to changes in fringe for positions we already have. There's also small salary change. We would like to fund debt service for phase two of the cruise terminal project. That's $800,000 for year one. It's really a placeholder appropriation. You'll have future approvals related to those revenue bonds, but this will allow us to have the budget in place without requiring a supplemental appropriation. Finally, we're recommending $3 million more to capital to address some really critical needs. How we're funding this $4.3 million is based on better than expected revenues. About $900,000 is from stronger revenue projections next year, and the rest is fund balance, $3.3 million, and that really is a result of a good year-end for 2011/2012, and a good projection for the current year.

As you will recall, last year you approved a new capital policy to help us focus on the critical repair and replacement capital budget, which is very much what Sherban's report is responding to. The policy states that the annual capital investment should equal 20 percent of our operating revenues, and we meet it either through our capital budget, or our designation to capital for the next year. This helps us to make trade-off decisions between growth in our operating budget and capital. It helps us also to reduce our credit risks associated with just carrying such a large unfunded capital allocation. When we crafted this policy and you approved it, I had no idea how hard it would be to meet, but I'm very pleased. It does exactly what it's intended to do. With our first budget adoption last year, we weren't able quite to meet the policy. We got to 17.1 percent, the reason being that we instead funded America's Cup and cruise terminal improvements. I'm very pleased to report that because of these new revenue enhancements and fund balance, this allocation does meet the capital policy. It gets to 20.8 percent. It's very important for the port's repair and replacement capital program. You'll hear from Daley, there's $1.6 billion of need, and there's

under $400 million identified in sources, and this capital budget is a critical component of our sources.

When port staff recognized the availability of additional funding, we underwent our usual review of capital projects, including those projects listed in the last report, the red and yellow-tagged facilities, and interdivisionally put it through our scoring criteria to see which were highest-scoring, and then allocated the $3 million to those projects. You'll see the scoring criteria. It has points for our various needs, whether it's addressing code or regulatory issues, reducing liability, promoting commerce, attracting people to the waterfront, protecting natural cultural resources and then it also puts the project through a financial lens, payback period 10 years or less, and whether there is matching funds, etc. This is the way we can see investments that actually grow our ability to fund future capital projects as well, so that this growing criteria is very good at helping us meet our priorities and expand future capital sources.

Ultimately, following this scoring review, there were new projects added to the capital budget, but instead funding added to already budgeted projects to address critical needs. Pier structure is the first you see on this table, and it shows a decline of sources of $418,000, but it actually means new projects. It's very exciting when you can spend less money and get new projects. Pier structure, the port ADA increase of $200,000 is to fund an in-depth analysis of our exit doors. There's $1.38 million being added to repair a roof on Pier 35, and there's $1.9 million more for the Pier 35 substructure project which Sherban described. You will recall that we borrowed funds from the 2010 revenue bond program when we did our supplemental appropriation for the cruise terminal and America's Cup. We promised to find the source and replenish this project, and we've found it.

As I just mentioned, the funding for pier repair is a bit less, but it actually reflects the addition of a project, Wharf J9 in 2014/15. So, we're proposing a strategy here to fund a second pile-driving crew, a capital-funded crew of seven FTE, rather than contracting out work for some of our most urgent pier repair projects. We had this idea following some successes with the America's Cup. The maintenance division is nearing completion of repairs to the Pier 19 south apron for $1.5 million. We were considering contracting that work out with an estimate of about $3.25 million. The reason for the reduction in price is really fourfold. Port staff can use their equipment and we don't have to pay the contractor's rental cost, we avoid overhead and profit, and there's additional cost of completing design and project specs before putting it out to bid. When an unforeseen condition is found, our maintenance division can respond rather than generating change orders.

The second capital-funded crew is anticipated to complete Pier 92 and J9 in the two-year timeframe, and Pier 19 north apron in year three. Without the second pile-driving crew, the repairs to J9 would not be completed in the two-year timeframe, and Pier 92 would be delayed a year. If the port were instead to contract out and wanted to meet this schedule, just for J9, by the end of

2014/15, we'd need to find about another $.4-$5.6 million. We think this is a very good plan. This crew will sunset when the backlog of these projects is completed. We're estimating that will be at the close of fiscal year 2015/16.

In terms of next steps, you can see that these budget changes are relatively modest compared to a full budget review, but they do meet our strategic objective to get more capital, to get more resources to critical capital projects. Should you recommend these changes, we'll be back to you for approval at the next commission meeting, and then we go through the mayor's office and the controller. Megan Wallace and I will bring back a report in the summer to let you know as always what happened through the budget process.

Francisco DaCosta - When I worked at the Presidio of San Francisco, I established an infrastructure group, maintenance, tactical support group., I'm very much interested in such things. We had a similar problem where we had 650 buildings over 2,000 units, and we had to envision a plan where we got in people like George Lucas, and now you have Disney and so on and so forth. Within some years, starting from 1996-2013, we had to be self-sufficient. Now, what I find amazing is that we do have astute people, but if you don't have a vision and you don't have leadership, and good leaders know the way, show the way, go the way, then what happens is we fall back. If we had shovel-ready plans like the gentleman just showed, a long time ago, we could have easily put them forth to the federal government and got something.

The other thing is, when you reach a state like we have, when you bring guests who come from Australia, or who come from Germany or from France, and they walk on the Embarcadero and see our piers, there's nothing much to see. It's beautiful. I'm very proud, because I represent the first people. You know, that's why I advocate for them. There's nothing much to see when you see things falling into the bay. We need to reach to Google, we need to reach to these companies and ask them if they can sponsor a pier, or even Richard Blum and Willie Brown. I mean, y'all have your press conferences on these piers and say this, that, and the other. If they really love our city, they could sponsor a pier.

It's really sad that we have so many billionaires in our city, we call this our fair city, but it's really unfair when you walk on the Embarcadero and you can see some large pieces of artwork by the fishes, but we need some help with our piers. That's all I've got to say. I've got a blog, and I don't want to write a nasty article naming some people. I really don't want to do that, but you know, we have leadership, but if the leadership doesn't have a vision, you don't have shovel-ready programs, then when something comes, you're starting from scratch, and that takes time.

B. <u>Informational presentation on the Port's 10-Year Capital Plan, FY 2014-2023</u>

Daley Dunham, Port Special Projects group - I'm presenting the Port's 10-year capital plan. I'm joined here by Brad Benson, the special projects manager, and Elaine Forbes, the chief financial officer, both of whom contributed quite a bit to

the plan itself, as well as Diane Oshima, who wrote a dynamite strategic priorities section.

On the next steps and what we're going to do about our piers that are falling down, or that have been load-restricted, the Port a couple of years ago put in place the prioritization scheme that was in the finance and administration presentation, and I had it in mine too but took it out right before I came, because I knew they had it. But it is also described in detail in Appendix B to the Capital Plan itself. We went through that process as a way to not only make more transparent and more quantitative or objective the process of prioritizing projects, but also because it was a good way to restate the Port's values, what we care about. What we spend money on and how we spend it reflects what we care about. It was a deliberative process, took a long time, and it was absolutely consensus-based.

There are some elements of this that since we've used it for three years now, I think it's worked pretty well. The results are intuitive. When we're talking about at-risk facilities that is true again. As some of the piers are classified as at-risk and in danger of becoming red-tagged over the next five to 10 years, what that means is that we can no longer operate them, and it will put a dent in our revenues. The financial scoring criteria, then, will grab that idea, if a pier is flipped from yellow tag to red tag, and when it is, and that causes it to score higher. There is a mechanism where this idea is captured and does work into our priority scheme.

Commissioner Adams, in reference to federal funding for some of these piers, the real answer is that for each of the piers that become red-tagged or yellow-tagged, there's an individual plan for them, because funding sources largely dictate how and where we can spend the money. For example, Pier 1/2, the approach to that is two-tiered. A small amount of funding right now can make sure that it's going to last, and then we are deferring that project until WETA comes along in the hopes that their infrastructure improvement, the larger project will capture that. Pier 35, we are spending some money now to extend the life of the pier not as long as we would like, because that's too expensive, but we do have federal plans for that. The repair of Pier 35 is part of our existing federal authorization through the Army Corps of Engineers. We take them on a case-by-case basis.

In terms of next steps and how we deal with them holistically, what happened was, this all factored into the prioritization for the two-year budget, and these projects got funded. I think the system works. We spent a lot of time on it, and I think we've demonstrated that it works. At least for going forward in the short-term, we do have a plan, and we have a funded plan.

What is the 10-year capital plan? I thought this year I'd go back one step before we started. It is a statement of the Port's values. It is a strategic planning document. It has a 10-year window, which I think makes it distinct from other publications at the Port. It is a vessel for calculated need, which is generated by

database modeling software that the city uses and that we use, and it really doesn't have any other home or public expression except in this document. It's appendix A, it's everything. It also catalogues our sources and strategies for these various pieces of federal funding, state funding. It also contains our plan for what we want to enhance, not just taking care of the stuff we've already got, but what we would like to add.

This is a high-level picture of how much money we're talking about. This is what this plan attempts to grapple with. State of a good repair, which are what we need, capital enhancements, which are what we want, and then our conditional seismic costs, which I'm going to come back to in greater detail.

Our strategic priorities, what are we talking about that really capitalizes on the fact that this has a 10-year window as a document, not a two or five-year window? First and foremost, the seawall. The Port and BCDC planning studies, the cruise terminal, requirement of the major permit was that we go find new open spaces and create new open water basins, and that is a long-term process. Under pier utility infrastructure, we had a notice of violation a couple years ago from the water board, and a key to satisfying the requirements of that violation were to demonstrate that we had a long-term plan, that we were committed as an institution to rectifying this problem, and we did that through the capital plan. The at-risk facilities we just talked about. They are highlighted in the strategic outlook section of the plan. The development of a maritime terminal and what we're going to get back after the America's Cup.

To focus in on the seawall, this illustrates how we capitalize on the length of the plan. We have short, medium, and long-term ideas about how to move forward on this. In the short-term, we're going to pony up some of our own money at some point, and the city's capital planning committee has indicated that they are willing and interested to have a more holistic, involving other elements of the city, approach to this. We are looking forward to that. There are two processes through the Army Corps of Engineers, which is where the resources are. It's a seawall, it's a flood control structure, and so it doesn't get any more Corps core mission than that.

Sources and uses, starting off with our need, $2.2 billion was our estimated need last year. You'll see there are a number of adjustments here. I want to call to your attention how we are revising the way that we look at our seismic costs in a way that is more nuanced and I think better reflects the state of reality. Needs are how we and the city defines, and I think by convention in capital planning, what you need to take care of and maintain your existing facilities. Structural repairs to piers and if you're required by law to do it. If we trigger the seismic code for a structure and we have to upgrade it seismically, then we need to do that, it's a need. Enhancements are creation of parks where the land is unimproved, and we've added something new. Some structures are split, like the Exploratorium. About $68 million worth of that we counted as state of good repair, because we fixed our facility. The rest of it was enhancement, it was new stuff.

The way that the city models its capital, there are no repairs to facilities that would trigger a seismic upgrade. It's never code-driven, it's always an enhancement as the city, seismic work, never a need. It's not quite that simple for us, because piers are different animals.

The key is that we don't really know until we have a plan for repair of an individual structure, whether or not it's going to trigger the seismic code or not. A friend of mine who was a fellow philosophy undergrad wrote his master's thesis on uncertainty. What figured largely in this paper was a box that had this thing in it, and the thing was either blue or it was green, but we didn't really know, and there was no way to know without opening it. So, how do you treat it? Then it went off the deep end and got to places we wouldn't want to go. But, the key idea was that it required separate treatment, we don't know. It's not green, it's not blue, it's grue. Where I'm going with this is that our seismic costs are grue. We don't know if they're needs or if they're enhancements, because we don't know if it's triggered by code or not, and we won't know until there is a specific plan of repair ready to execute.

For this planning going forward, we've given it separate treatment, we've called it out. It's not part of our need, they're conditional costs that are maybe triggered and may not.

Commissioner Katz - What's the timeframe when we start the projects to get a more definitive sense of what the seismic costs would be?

Daley Dunham - Once they understand what their use is, that will drive the kind of repair they want to make. Changes in use also trigger seismic code. So, a relatively minor repair but a new use could kick a cost into a need, and not an enhancement. Additionally, there are some piers that just may not be, the seismic costs are prohibitive, and they just may never be repaired. Any kind of seismic work there would be an enhancement. It's never going to be done, or never going to be triggered by code.

Commissioner Katz - I guess I was getting more into the weeds. In terms of, once we start a project, when we do our assessment, is it two months roughly to get a sense and figure out what we're looking at, or is it three, four months? Just as we look at our planning and allocation of funds, that's really what I'm getting at, is when we figure out what bucket it goes in, how long it takes us to get to that.

Monique Moyer - We can take Piers 30/32 as an example. Almost any new use there that's going to be a built structure is going to trigger seismic. The question is, what is that use going to be, is it going to be public assembly, is it going to be a certain weight, and then how much of seismic is going to be triggered? From there, we have to go to, what does that really mean, what does that really cost? That third step is the hardest. That happened with this building's renovation that happened with Pier 1. It happens almost every single time whereas Daley

pointed out, we changed use, because almost invariably when we're changing use, we are doing more public assembly. That was one of the issues we had with having to red-tag Pier 38 and vacate it, because the use had changed but the code had not been met to accommodate that use. As part of our Pier 38 submittals, we'll be looking at what are the submittals for use, and will that trigger seismic for part, for all, and therefore how much. It's very iterative, but we know right at the beginning by the use that it's going to be triggered or not.

Commissioner Katz - I guess what I was looking at for our planning purposes, though, do we get something major like that, obviously, we get six months to a year to start figuring out the allocations, for example, depending on the extent that it's triggered. That's really what I'm getting at, is how far in advance we might be able to make whatever necessary adjustments we need to.

Monique Moyer - I should say strategically, sometimes we try not to trigger. The cruise ship terminal building is designed particularly not to trigger seismic. It goes both ways, and sometimes we forego enhancements we might like, because they could trigger something we therefore then can't afford.

Daley Dunham - So much of it really just depends on the nature of the repairs, too. You could have one pile that's in terrible shape that caused the whole facility to be red-tagged, and it's a relatively minor, looking at the structure as a whole, repair and it wouldn't trigger the seismic code.

Down at the lower of those pie charts, separates out our unfunded need from our unfunded seismic work, since we don't know if it's really need or enhancement work. On top, we see that the amount of money that we have to spend on our state of good repair projects is about a third of the overall funding. Again, the two-thirds, the nearly $700 million in money toward enhancements is largely driven by the source of funds. We can't use it on our state of good repair items, or we would.

The trend line, to compare apples to apples, the need does include seismic, since we're looking at previous years, it does look like it's going in the right direction, although there were some one-time adjustments, so I'd hesitate to extrapolate too much from that this year, maybe next year. This, going backwards, the bottom, the blue section there, this is the same thing, only broken out by individual funding source. What's notable to me here is the shift in the infrastructure finance district bonds proceeds, which are a very deliberately rounded number at $500 million in the plan, because there are ongoing development negotiations, and we don't want to get any more specific than that. The volatility of development project funds here. Looking at the purple section, the Exploratorium, it's not like no developers are interested in us, it's just that the Exploratorium is complete. Whereas last year we listed it as a funding source, this year we don't.

The Port capital funds, we're hopeful with the new capital policy that's going to skyrocket to the north.

Lastly, the distribution of funds around the waterfront, where we're expecting sources to go. We listed this last year as new, but it's still being actively discussed, and it's still new because we haven't been able to realize it yet. Transferable development rights, the plan lists about $24 million is what we might be able to see out of this.

Strolling through the waterfront quickly, I have to say that it was neat for me, having done this for many years, and these maps in particular, for the first time it change the contours of the waterfront and wipe out whole facilities. We did it here with Pier 43½ as that project was complete. This area of the waterfront has every color on except for development, which would have but the Exploratorium was just completed. It's very diverse in terms of the amount of funding we're looking at. You see Pier 35 is coded with camouflage because the Army Corps of Engineers, we have an authority for that. It's really a long-term kind of plan. With earmarks not allowable in Washington, D.C., appropriations are still, project-specific appropriations are a no-no, but that can't last forever. We're thinking strategically about this funding. We got to erase Pier 1/2 from the map and Pier 36 as well. Our waterfront is changing; it's been a really amazing year. Pier 64 days are numbered. All that will be removed.

Over the years, this plan has guided a quarter billion dollars, and that's in non-development funding. It's had a big impact over time. It's been important to our ability to get public debt and to demonstrate to other organizations that we are committed, and lastly it's a flexible tool. It changes every year, and it will continue to meet the needs in front of it.

Commissioner Woo Ho - I guess you will provide an update every year.

Daley Dunham – Yes, every year.

Commissioner Woo Ho - While I appreciate the $250 million since 2006, I guess since the last time this was presented, obviously, we've had the Pier 30/32 addressed. You all should give yourselves some credit that you took some things out. Obviously some things came in, and the number has gone up again. So, it would be great to see that as we take things out because we found a funding source, it was part of a project or whatever, or we completed the projects that we do ourselves, that we can see that what went out and what comes in. Unfortunately, the tide of coming in is greater than the tide going out. Ed mentioned that this is hopefully stabilizing, and so the tide coming in isn't going to be as great as in the future. That would be good for us to at least memorialize that, know that, and appreciate that, and all the good work that all of you have done.

Those are the changes that I'd like to see. I want to clarify that it sounds like all the projects that Ed and his team, Sherban mentioned, are incorporated now in this year's capital plan?

Daley Dunham - Yes, they're incorporated.

Commissioner Woo Ho - I understand, but you're just listing what needs to be addressed, whether it has a funding source or not?

Daley Dunham - Absolutely.

Commissioner Woo Ho - Part of the $2.7, it's been captured?

Daley Dunham - It absolutely has. Every facility across the waterfront is captured in Appendix A. This is nothing if not comprehensive. We have a feedback mechanism with engineering where if there are new detailed estimates from interest in a facility by a developer or engineering that will be adjusted in the 10-year capital plan's estimate of need. But where a facility may be moved from green tag to yellow tag or yellow tag to red tag, if there's a major change or, as Ed noted, there's something of a judgment call in there, our estimates for repair needs may not change at all. It may be more of engineering's decision about whether or not vehicles are safe on that facility or not. So, it's definitely in there.

Commissioner Woo Ho - I appreciate that you had asked me for some input, not in terms of the numbers or the projects, but in terms of the methodology and how you were thinking about the plan. As I recall in that conversation, and what I think has resulted is this conditional seismic category, which did not exist before. If I was to think about the $2 billion that we heard about the last time, what's equivalent to that is the $1.59, and then you have the conditional seismic, and then you have the enhancements. Would that be the proper way to think about it? I'm perhaps giving a lot of leeway in terms of how I'm defining this, but in general, would that be the way to categorize it? What I'm saying is that last time we talked about this as $2 billion, but it was sort of lumped, everything, $2 billion.

Daley Dunham - To make an apples to apples comparison, you wouldn't use the $2.7 billion number. That's really a way to get our arms around the fact that this contains not only the work we've identified in terms of need and state of good repair, but also enhancement projects that we've identified we want to execute on. If you wanted to compare to last year, the $2.2 billion, it's $2 billion, the number would be minus the enhancements.

Commissioner Woo Ho - You're comparing $2.2 billion to $1.59, $2.2 billion is now $1.59. We're getting better in the methodology and how we think about this, and I think we should give ourselves some credit for that. I understand that on the other hand, the trend line of $2.7 versus $2.2 is not necessarily a good trend line. Obviously we have issues to address, but in terms of understanding how to address these issues, as a lot of speakers have said, that we need to figure out how to get our hands around it, and whether we get more funding from other third-party sources.

I was going to mention this under new business, but I think that we got a report on the real estate and maritime revenues, but we also have a major category of all our master tenants with the big leases, and we should see the trend line, what's happening there, because what's going to pay over time is not the individual leases that we're managing directly through real estate, but it's going to be some of the major. We need to understand what's happening there, because that revenue source and where it's going is important for us to understand whether it's increasing at a pace not that it's going to pay for the $2.7 billion total, but at least it's going on the right trajectory, because that's another piece to put in the puzzle, in addition to finding third-party sources, and in addition to debt, obviously, in whatever form we take it, IFD, bonding, whatever sources that we're looking at. I see Elaine taking notes, and that's exactly right. You can work with the various departments to figure it out. That piece is a little bit missing right now, because that is a major portion of the revenue that we don't understand what's happening on a periodic basis.

Commissioner Adams - Daley, great work. I know there's a moratorium right now on appropriations. You just mentioned that, and I'd like to get your insight into the harbor maintenance tax, but I'm willing to work with you with Leader Pelosi and Senators Boxer and Feinstein. We probably need all the west coast senators onboard, because it affects all the ports, and we need to come together, and I'm willing to go back to lobby or maybe even get them down here. They need to see how the piers are deteriorated and stuff like that, and how important it is. Sometimes they're in D.C., they're so far removed they don't really get out and see hands-on. It's important that they come down and see the deterioration of certain piers, and how important it is for us to restore those piers, and bring them back viable, so we can have more business. We need that infrastructure. We're just lacking in that, and I wanted to hear your opinion on this, all this money that we've got in the harbor maintenance fund and the harbor maintenance tax that all the ports pay into, and we can't seem to get it. That's frustrating to me because I'm kind of looking at it like maybe they're using the money for something else. I'm not a politician in D.C., and I know they do a lot of different things, but this is something to me. What you said, Doreen, I think that we really need that money here, and it's got to be imperative. We've got to press them and put pressure on these politicians. This is something that's really important.

Daley Dunham - The harbor maintenance tax is an issue that has really come up in the last six months or so. Putting my government affairs hat on for a second, that it was really the east coast ports that have been so interested in this, and that it was a concern that funding generated in California was going to the east coast. That is the primary concern expressed by CAPA and all of our brother and sister ports in California with whom we've worked very closely on this issue. To have California monies on channel-deepening on the east coast is subsidizing our competition, essentially. I look forward to talking with you in much greater depth about it.

There is some concern with expanded uses of HMT funds for landside improvements, landside infrastructure, in that there's a suit in the World Trade Organization that could cause that as a funding source to get derailed completely. The approach of the CAPA government affairs staff and the CAPA leadership is that the smallest incremental change to HMT uses is the right way to go. For Port of San Francisco, it's great news for us, because we've really never had a dog in the HMT fight. The Army Corps' operation and maintenance budget, which is for channel dredging, doesn't impact us but the most recent discussion about expanded uses, which could go to berth dredging, could be profoundly important to us. Fifty percent of our capital budget goes to dredging and dredge disposals. For us suddenly becoming eligible for this, for a cost-share with the Army Corps, is a significant change. Port staff have worked extensively through CAPA and had our say, had our influence in the CAPA position. The CAPA position was then picked up by the Boxer legislation.

What it says right now in the Boxer discussion draft of WERDA is exactly what we want it to say. We have been dialed in on this, and focused on it, and we're going to stay on top of it. It's sort of the favorite part of my job at the moment, frankly.

Commissioner Katz - Thank you all for your hard work. I know, as Elaine had said earlier, it seemed almost like an impossible task at some points, but I really just want to thank all of you and appreciate the hard work that's gone into it. You're making it look easy with your summaries, but I know it's quite a lot that's been going on behind closed doors. I did have a question, and I'm not sure whether this is even feasible. Do we have any way of looking at, when we do some of the added investments in some of the infrastructure, can we track what it saves us long-term by doing those investments now? Some of it would be just standard depreciation, but I think if you have the deferred maintenance, we know it costs that much more. I'd like to have added support for the payments that we're making now so that we can show how much we're actually saving by funding these projects sooner rather than later.

Daley Dunham - There's a capital angle on that and a finance angle on that. On the capital side of things, I noted on one of the slides, there's about 20,000 pieces of information that we use to model all of our capital assets. There's just so much that we do some extrapolating, and we do track all of our different subsystems and different maintenance. When those get more expensive it's sort of baked into the software. So, there's a little bit of that, but for the most part, it doesn't get into that much detail, the long-term planning horizon doesn't sort of afford itself that level of specificity. We don't do depreciation.

Elaine Forbes - It's a very interesting question, and we've been looking at this through multiple lenses and trying to model this type of investment. Our system does have the ability to basically produce a profit and loss statement by facility, and the data on the revenue side is excellent, and through our EAM project, we'll be getting the cost-side numbers better. We can see investment now, does it either save costs or prevent loss of revenue? You can have both sides. We do

this analysis often when we make one-off capital investment decisions, but we're looking to see it more portfolio-wide. It's an issue, a condition of the facility assessment. When does it hit red-tag, yellow-tag, red-tag, are revenues partially turned off, fully turned off? In terms of cost savings, there's operating savings that spill off from good capital investment, and there's also reduction of future capital investment that spins off from good capital maintenance. We're looking to look at that more portfolio-wide.

Commissioner Woo Ho - Elaine knows this is one of my favorite topics. As you invest, obviously you get to capitalize this on your balance sheet, versus the fact that since we never get to bring the current market value of any of our assets, because it's dated to 1929. So, we're ridiculously undervalued on the balance sheet. When you do make these investments, I guess one of the benefits, and Commissioner Katz' question reminds me, is that you obviously then capitalize that, or you should be capitalizing. You're not expensing it?

Elaine Forbes - We do, and it doesn't improve our balance sheet. It improves our net asset line.

Commissioner Woo Ho - Right, which helps your bonding capacity over time, slowly.

Elaine Forbes – It's for coverage.

Commissioner Woo Ho - Coverage, yes. Well, I understand, but looking at leverage and everything else, so that your net asset is increasing, while it's obviously also offset by some depreciating, but it does increase.

Elaine Forbes - That's true, all true. Capital investments do have a direct benefit to our asset line, and a direct benefit to our balance sheet, you're absolutely right. That is one way we can improve our balance sheet. We can't bring our assets up to market, as you know, but these types of investments, those that are truly capital, do show in our improvements to the balance sheet.

Commissioner Woo Ho - Thank you. I appreciate what Commissioner Adams said, and hope that if he can work with staff and some of our political leaders to bring more attention in terms of getting our fair share of government funds, especially since we just all read the newspaper the other day. The trade in China now exceeds the United States. So, the west coast is very critical in this picture. The west coast ports are really going to be playing a bigger and bigger role. It's important that we figure out how we make that message clear to our political leaders and ask them to support us.

13. NEW BUSINESS

14. PUBLIC COMMENT

Francisco DaCosta - I'm the director of environment justice advocacy, and the reason I came here is for public comments, but I heard all this other stuff, and because of my past history, I had to comment, because I rarely come over here. One of the things missing in this presentation, environmental issues. We have leaking tanks, some of them have been removed. We have the case with the Alioto Lazio family that some of you all should revisit to understand what that can do. On the port property, we had two power plants that polluted our bay. We have to understand those things. As much as we talk about Pier 70, we can talk about Pier 70 any way we want to. We know there's over a million tons of coal tar, we know that there are some ammonia hot spills. All this has to be factored in. We have to look at it in this way. We know that at one time, for over 10,000 years, the first people kept this area pristine. Then somebody came here, built all these concrete jungles, and polluted it. We kind of know about it, and we are astute in a very nonchalant manner, but we need to pay attention to environmental issues, so our children, our youth, our elders, have to get the best.

On the southeast sector, Bayview/Hunter's Point, where we have a number of these issues. We have a number of these issues because of our power plants that were placed in the south, in that area, that impacted our population. Most of our people from our area won't come here. They don't feel at ease but their problem is that they're adversely impacted. The Port has to reach out and allow them to have a voice not in those SWAC meetings as they are just focused on general issues. They're not focused on real issues. The way we focus on our real issues is by going to City Hall, which I do, in our blogs, and participating in forums and debates. When people watch the Port, it's very sanitized, because you all don't have these robust debates. I'm not asking you all to have it every time, but you have to have it from time to time, so that this area, our front line, is factored in environmentally when we look what happened with Hurricane Sandy, and you had 40, 50 feet of water in the subways. That could impact us. I don't mean to be very blunt, or very direct in a way to hurt somebody's feelings, but we need, because of the flood maintenance, to think outside the box to do something right.

15. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

Port Commission President Woo Ho adjourned the meeting at 5:40 p.m.

SAN FRANCISCO PORT COMMISSION

Doreen Woo Ho, President
Kimberly Brandon, Vice President
Willie Adams, Commissioner
Leslie Katz, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

AGENDA

GOVERNMENT
DOCUMENTS DEPT

FEB 22 2013

SAN FRANCISCO
PUBLIC LIBRARY

TUESDAY, FEBRUARY 26, 2013
2:30 P.M. CLOSED SESSION
3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO CA 94111

PLEASE NOTE THE DATE & TIME OF THE MEETING

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. **CALL TO ORDER / ROLL CALL**

2. **APPROVAL OF MINUTES** – February 12, 2013

3. **PUBLIC COMMENT ON EXECUTIVE SESSION**

4. **EXECUTIVE SESSION**

   A. Vote on whether to hold closed session.

      (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. ***This session is closed to any non-City/Port representative:***

         a. Property: AB 8719, Lot 002, also known as Seawall Lot 337, AB 9900, Lot 62, also known as China Basin Park, and AB 9900, Lot 048 and AB

9900, Lot 048H, also known as Pier 48 (all bounded generally by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street)
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development
*Negotiating Parties: Jack Bair, SWL 337 Associates, LLC

Under Negotiations: ____Price ____Terms of Payment X Both
Pursuant to Resolution No. 10-32, the Port Commission awarded to the non-Port party an exclusive negotiation agreement with the Port for the lease and development of the property. In this executive session, the Port's negotiator seeks direction from the Port Commission on rent structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the lease and development of the property. The executive session will enable the Port Commission to develop a negotiating strategy tailored to maximize the City's return based on these factors. In particular, the executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

(2) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTERS. (Discussion and Action Items)

a. Discuss existing litigation matters pursuant to Sections (a) and (d) of California Government Code Section 54956.9 and San Francisco Administrative Code section 67.10(d):

- Cypress Security, LLC. v. City and County of San Francisco, (San Francisco Superior Court Case No. CGC-12-517696); filed January 27, 2012)

  Discussion and approval of proposed settlement of litigation arising out of Contract no. 86022 for unarmed security guard services provided to the Port of San Francisco. Material terms of the proposed settlement include: (i.) payment of $217,500 to Cypress Security, LLC; (ii.) dismissal of the complaint with prejudice; (iii.) mutual release of claims except for those encompassed within paragraph 9 ("HOLD HARMLESS AND INDEMNIFICATION") of Contract no. 86022 or those relating to contracts other than Contract no. 86022; and, (iv.) each side to bear its own fees and costs, including attorney's fees.

5. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67-12.

B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. EXECUTIVE

A. Executive Director's Report
- Anchor Brewing Company - San Francisco Giants first tenant for the Mission Rock development project
- Sunday Streets on The Embarcadero - March 10, 2013 from 11 am to 4 pm

9. CONSENT

A. Request authorization, subject to Board of Supervisors' approval, to accept and expend (1) $300,000 of the $919,243 grant for Portwide CCTV (Resolution 13-03) and (2) the entire $403,510 for Pier 80 security improvements in 2011 Infrastructure Protection Program Port Security Grant Program funds from the U.S. Department of Homeland Security for security improvements at the Port of San Francisco. (Resolution No. 13-04)

B. Request authorization to advertise for Competitive Bids for Construction Contract No. 2761, Blue Greenway Signage. (Resolution No. 13-05)

C. Request authorization to execute a modification to Contract No. 2757, Pier 50 Valley Substructure Repair, with West Bay Builders Inc., to extend the original Contract duration of 240 days by an additional 71 days. (Resolution No. 13-06)

D. Request approval of the Port's supplemental appropriation to the Biennial Operating Budget and Capital Budget for Fiscal Year 2012-13 and 2013-14. Resolution No. 13-07)

10. REAL ESTATE

A. Request approval of a First Amendment to Lease No. L-15202 ("Lease") with Cabouchon Properties, LLC, a California Limited Liability Company, located at Pier 9 to provide a minimum of $100,000.00 in rent credits for Core and Shell improvements. (Resolution No. 13-08)

11. PLANNING AND DEVELOPMENT

A. Informational presentation on the Term Sheet between the Port and Seawall Lot 337 Associates, LLC for the mixed-use development of Seawall Lot 337 and Pier 48 bounded by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay and adjacent to AT&T Park.

12. FINANCE & ADMINISTRATION

A. Informational presentation on the Port's Five-Year Financial Plan for Fiscal Years 2013-14 through 2017-18.

13. NEW BUSINESS

14. PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

15. ADJOURNMENT

FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)

MARCH 12, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Pier 90	Action	Request authorization to execute a contract with Laura Haddad and Tom Drugan for Public Art to be installed on the Pier 92 Grain Silos, located on Amador Street and Islais Creek
2	SWL 337	Action	Request endorsement of the Term Sheet between the Port and Seawall Lot 337 Associates, LLC for the mixed-use development of Seawall Lot 337 and Pier 48 bounded by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay and adjacent to AT&T Park
3	Portwide	Action	Accept the Port's Quarterly Report on Contracting Activities for Fiscal Year 2012-13 (October 1, 2012 through December 31, 2012)
4	Pier 70	Action	Request approval of the First Amendment to the Exclusive Negotiation Agreement between the Port of San Francisco and Orton Development, Inc. for the lease and development of the 20th Street Historic Buildings on or near 20th and Illinois Streets at Pier 70

MARCH 26, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Pier 9	Action	Request approval of Second Amendment to Lease No. L-14282 with the San Francisco Bar Pilots Benevolent and Protective Association retroactively amending the rental schedule of the lease for space located at Pier 9 on The Embarcadero at the foot of Vallejo Street
2	Pier 9	Action	Request approval of Lease No. L-14935 with Hornblower Yachts, Inc., a California corporation, for a five-year lease with one five-year extension, for premises located at Pier 9 South, on The Embarcadero at the foot of Vallejo Street
3	10 Lombard Street	Action	Request approval of time extension for the Roundhouse 2 HVAC central plant upgrade, Contract No. 2744R
4	Portwide	Action	Request approval of the Port's 10-Year Capital Plan, FY 2014-2023.

APRIL 9, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Pier 96	Informational	Present the commercial maritime activities of San Francisco Bay Rail located at 100 Cargo Way @ Pier 96 Railyard

APRIL 23, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Action	Request authorization to advertise a Request for Qualifications (RFQ) soliciting As-Needed Environmental and related Professional Services for three contracts at $1 million each, totaling $3 million

JULY 9, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Action	Request authorization to award the contract for As-Needed Environmental and related Professional Services for three contracts at $1 million each, totaling $3 million

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Pier 70 Waterfront Site (Forest City)	Informational	Present Forest City's term sheet for the Pier 70 Waterfront Site
2	South Beach	Action	Request for Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the South Beach Harbor Program.
3	Portwide	Action	Request approval to enter into agreements with the San Francisco Municipal Transportation Agency and the regional bike share program operator to use Port property for the Bay Area Regional Bike Share Pilot Program
4	SWL 351	Action	Request approval of resolution recommending that the Board of Supervisors form a City and County Infrastructure District No. 2 and adopt the Infrastructure Financing Plan included in Appendix C which will capture tax increment from the Seawall Lot 351 project (commonly

			known as the 8 Washington Street project) for site open space improvements, the Cruise Terminal project, under-pier utilities and pier substructure repairs; and authorizing the Port's Executive Director to enter into a Memorandum of Understanding with the City and County of San Francisco acting through the Controller's Office to implement the District
5	Pier 70	Action	Request approval of Federal Cost Sharing Agreement between the Port of San Francisco and the U.S. Army Corps of Engineers for study of the Central Basin Dredge Project
6	295 Terry Francois	Action	Request approval of Lease No. L-15228 ("Lease") with Bo's BBQ of SF, LLC ("Bo's"), for a Retail Restaurant lease located at 295 Terry Francois Boulevard (the "Premises") for a term of 15 years with two five year extension options, subject to Board of Supervisors' approval
7	Pier 70 Waterfront Site (Forest City)	Action	Request approval of Forest City's term sheet for the Pier 70 Waterfront Site

MARCH/APRIL 2013
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
MAR. 12	2: 00p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
MAR. 26	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
APR. 9	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
APR. 23	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.

NOTES:
The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:
The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:
Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.

NOTICES

Prohibition of Ringing of Sound Producing Devices:
The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

February 21, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer
Executive Director M Moyer

SUBJECT: Request authorization, subject to Board of Supervisors' approval, to accept and expend (1) $300,000 of the $919,243 grant for Portwide CCTV; and (2) the entire $403,510 for Pier 80 security improvements in 2011 Infrastructure Protection Program Port Security Grant Program funds from the U.S. Department of Homeland Security for security improvements at the Port of San Francisco

DIRECTOR'S RECOMMENDATION: Approve Attached Resolutions

Funding Overview

On June 20, 2011, the Port of San Francisco, along with the Ports of Oakland, Richmond and Stockton, through their Fiduciary Agent, accepted a regional allocation from the U.S. Department of Homeland Security (DHS) for the 2011 Infrastructure Protection Program Port Security Grant Program (PSGP). Consistent with the 2007 through 2010 Port Security grants, the four major regional ports remained grouped together as a Tier I (highest risk) port area. As with the 2007 Supplemental through 2010 PSGP rounds, port stakeholders were asked by the Federal Emergency Management Agency (FEMA) to identify a single entity that would apply for and accept funding on behalf of the stakeholders, as well as act as the responsible Fiduciary Agent for the port area and ensure that all port partners were included in the planning and grant allocation processes. The Executive Director of the Marine Exchange of the San Francisco Bay Region (Marine Exchange), a 501(c)(1) non-profit membership organization, was again selected as the Fiduciary Agent (FA). In the 2011 PSGP grant cycle DHS allocated $16,987,452 to the San Francisco Bay Region, for which each eligible entity within the region could apply. In this round, DHS did not require a cash or 'in kind' match for approved projects submitted by eligible entities.

THIS PRINT COVERS CALENDAR ITEM NO. 9A

Findings and recommendations from the Port-Wide Risk Management/Mitigation and Business Continuity/Resumption of Trade Plan (Plan) was used by regional applicants to justify their applications for a more strategic Port security program. A committee made up of representatives from the four major ports and representatives from each port stakeholder community evaluated the applications. The U.S. Coast Guard Captain of the Port reviewed the committee's recommendations prior to the applications being sent to FEMA for review and approval.

The grant performance period is a maximum of thirty-six months, plus the possibility of twenty-four additional months of extensions, which are usually granted in six-month increments. At this time, 2011 PSGP-funded projects must be completed by June 30, 2014.

Because the Marine Exchange is a 501(c)(1) non-profit entity, and their Executive Director is the port area's Fiduciary Agent, an indemnity and hold harmless provision is required as part of the Marine Exchange's agreement with each sub-grantee in order for the Marine Exchange to disburse grant funds. In past grant rounds, recipients received funding directly from DHS or FEMA, which as federal entities do not require hold harmless provisions. Without the hold harmless provision in the Marine Exchange's sub-grantee agreement with the Port of San Francisco, the Port will not be able to access grant funds. There is no additional cost to the Port for this indemnity and hold harmless provision. The City and County of San Francisco's Risk Manager supports the Port's decision to grant the indemnity and hold harmless provision.

The Port's Grant Applications and Awards

Port staff is seeking Port Commission approval of two separate grant projects, as described below. Pursuant to FEMA rules, two separate actions of the Port Commission are required:

1. On January 23, 2013, the Port was notified that FEMA released $300,000 of the $919,243 grant prior to completing their Environmental and Historic Preservation review process, in order for the Port to complete a 100% basis of design for the purposes of developing a bid specification. The Port anticipates FEMA approval of the entire $919,243 grant request later this year. The grant request consists of the following:

    - **$919,343 for a Portwide CCTV, Access Control and Intrusion Detection System:** this planned investment will allow the Port to expand the scope of a security project currently underway. The current project, to increase security at Port properties through deployment of CCTV and integrated access control/intrusion detection systems, is in its final stages of design and fiber optic build-out and funded by 2007 and 2008 CPMSGP (California Port and Maritime Security Grant Program) grants. This 2011 PSGP grant will provide funding to install CCTV, access control/intrusion detection systems and fiber optics at Port properties not included in the CPMSGP grants due to funding limitations.

2. On February 4, 2013, the Port was awarded the following funding from the 2011 Port Security Grant Program:

   - **$403,510 in Pier 80 Cargo Terminal Risk Mitigation and Security Systems – Phase II:** to enhance intrusion detection and security capabilities as well as control access through deployment of access control systems, including TWIC (Transportation Worker Identification Credential) compliant access controls; door and motion intrusion detection; CCTV and surveillance systems; infrared detection systems; perimeter fencing monitoring; and wireless communications and fiber network systems.

Requested Port Commission Action

Port staff seek Port Commission authorization for the Executive Director, subject to Board of Supervisors' approval, to accept and expend (1) $300,000 of the $919,243 grant for Portwide CCTV (Resolution No. 13-03) and; (2) the entire $403,510 for Pier 80 security improvements in 2011 Infrastructure Protection Program Port Security Grant Program funds from the U.S. Department of Homeland Security for security improvements at the Port of San Francisco (Resolution No. 13-04). Port staff also seek Port Commission authorization for the Executive Director, subject to the Board of Supervisors' approval, to accept and expend the remainder of the $919,243 grant when it is approved by FEMA. Additionally in both resolutions, Port staff seek Port Commission authorization for the Executive Director to execute an agreement with the Marine Exchange for the disbursement, administration and management of the grants, which includes an obligation to indemnify and hold harmless the Fiduciary Agent.

Prepared by: Sidonie Sansom
Director of Homeland Security

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 13-03

WHEREAS, the U.S. Department of Homeland Security Infrastructure Protection Program's Port Security Grant Program (PSGP) provides grant funding to port areas for the protection of critical port infrastructure from terrorism; and the PSGP funds are primarily intended to assist ports in enhancing risk management capabilities, increasing domain awareness and improving capabilities for prevention, detection, response and recovery from attacks involving improvised explosive devices and other nonconventional weapons; and

WHEREAS, on June 20, 2011, the Port of San Francisco submitted an application for grant funds under the PSGP; and

WHEREAS, on January 23, 2013 the Port of San Francisco was notified that the Federal Emergency Management Agency (FEMA) released $300,000 of the $919,243 grant (the "grant") prior to completion of the Environmental and Historic Preservation review process, in order for the Port to complete a 100% basis of design for the purposes of developing a bid specification; and

WHEREAS, the Port anticipates FEMA approval of the entire $919,243 grant request later this year; and

WHEREAS, FEMA, on behalf of the U.S. Department of Homeland Security, appointed the Marine Exchange of the San Francisco Bay Region (the "Marine Exchange"), a 501(c)(1) non-profit membership organization, to act as the fiduciary agent for the disbursement, administration and management of the grant; and

WHEREAS, the Marine Exchange requires an agreement with the City, through the Port Commission, for the disbursement, management and administration of the grant; and

WHEREAS, the Marine Exchange requires that in the agreement the Port Commission agree to indemnify, defend, and hold harmless the Marine Exchange against all liability, loss, cost or expense imposed upon the Marine Exchange, arising out of or related to the Port's performance under the agreement; now, therefore, be it

RESOLVED, that the Port Commission hereby authorizes the Executive Director to seek the Board of Supervisors' approval to accept and expend $300,000 of the $919,243 grant for Portwide CCTV, and to accept and expend the remainder of the grant funds when released by FEMA; and be it further

RESOLVED, that the Port Commission hereby urges the Board of Supervisors to approve the request for approval to accept and expend $300,000 of the $919,243 grant for Portwide CCTV, and to accept and expend the remainder of the grant funds when released by FEMA; and be it further

RESOLVED, that, subject to the Board of Supervisors' approval, the Port Commission hereby authorizes the Executive Director or her designee to execute, on behalf of the City, an agreement with the Marine Exchange for the disbursement, administration and management of the grant, wherein the City agrees to indemnify, defend, and hold harmless the Marine Exchange against all liability, loss, cost or expense imposed upon the Marine Exchange, arising out of or related to the Port's performance under the agreement, subject to the approval of such indemnity and hold harmless provision by the City's Risk Manager; and be it further

RESOLVED, that the Port Commission, subject to the Board of Supervisors' approval, hereby authorizes the Executive Director or her designee to execute for and on behalf of the City and County of San Francisco, any additional documents necessary to enter into the grant agreement with the Marine Exchange, FEMA or the U.S. Department of Homeland Security, including any extensions, augmentations or amendments thereof.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 26, 2013.

_____

Secretary

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 13-04

WHEREAS, the U.S. Department of Homeland Security Infrastructure Protection Program's Port Security Grant Program (PSGP) provides grant funding to port areas for the protection of critical port infrastructure from terrorism; and the PSGP funds are primarily intended to assist ports in enhancing risk management capabilities, increasing domain awareness and improving capabilities for prevention, detection, response and recovery from attacks involving improvised explosive devices and other nonconventional weapons; and

WHEREAS, on June 20, 2011 the Port of San Francisco submitted an application for grant funds under the PSGP; and

WHEREAS, on February 4, 2013 the Port of San Francisco was awarded $403,510 in grant funds for security enhancements at the Pier 80 intermodal cargo terminal (the "grant"); and

WHEREAS, FEMA, on behalf of the U.S. Department of Homeland Security, appointed the Marine Exchange of the San Francisco Bay Region (the "Marine Exchange"), a 501(c)(1) non-profit membership organization, to act as the fiduciary agent for the disbursement, administration and management of the grant; and

WHEREAS, the Marine Exchange requires an agreement with the City, through the Port Commission, for the disbursement, management and administration of the grant; and

WHEREAS, the Marine Exchange requires that in the agreement the Port Commission agree to indemnify, defend, and hold harmless the Marine Exchange against all liability, loss, cost or expense imposed upon the Marine Exchange, arising out of or related to the Port's performance under the agreement; now, therefore, be it

RESOLVED, that the Port Commission hereby authorizes the Executive Director to seek the Board of Supervisors' approval to accept and expend the grant; and be it further

RESOLVED, that the Port Commission hereby urges the Board of Supervisors to approve the request for approval to accept and expend the grant; and be it further

RESOLVED, that, subject to the Board of Supervisors' approval, the Port Commission hereby authorizes the Executive Director or her designee to execute, on

behalf of the City, an agreement with the Marine Exchange for the disbursement, administration and management of the grant, wherein the City agrees to indemnify, defend, and hold harmless the Marine Exchange against all liability, loss, cost or expense imposed upon the Marine Exchange, arising out of or related to the Port's performance under the agreement, subject to the approval of such indemnity and hold harmless provision by the City's Risk Manager; and be it further

RESOLVED, that the Port Commission, subject to the Board of Supervisors' approval, hereby authorizes the Executive Director or her designee to execute for and on behalf of the City and County of San Francisco, any additional documents necessary to enter into the grant agreement with the Marine Exchange, FEMA or the U.S. Department of Homeland Security, including any extensions, augmentations or amendments thereof.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 26, 2013.

_____

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 21, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer
Executive Director MMoyer

SUBJECT: Request Authorization to Advertise for Competitive Bids for Construction Contract No. 2761, Blue Greenway Signage Project

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Overview

Port staff requests that the Commission authorize the advertisement for competitive bids for construction contract No. 2761, Blue Greenway Signage Project ("Project"). The Project scope includes construction of 22-foot height signage at 10 locations along the Southern Waterfront between Mission Creek and Heron's Head Park. (Refer to the Project Site and Architectural Elevation Plans in Attachment A.)

Background

The Blue Greenway is a City and County of San Francisco project to improve and expand the public open space network along the City's central and southern waterfront, from China Basin Channel to the San Francisco southern county line. Its focus is to define how new parks and public spaces can be created to complement and connect with existing open spaces in the industrial and mixed use area. Collectively, the Blue Greenway is intended to define how San Francisco will carry out improvements to meet waterfront open space and recreational objectives set forth by the Port's Waterfront Land Use Plan and the City's General Plan, and to be consistent with the Association of Bay Area Governments (ABAG) San Francisco Bay Trail and Bay Area Water Trail Plans.

The City and County of San Francisco's 2008 Proposition A Clean and Safe Parks General Obligation Bond (2008 Parks Bond) provided the Port with funding to take a leadership role on advancing the Blue Greenway and to conduct a community planning process for the

THIS PRINT COVERS CALENDAR ITEM NO. 9B

Blue Greenway. The Planning process included citywide inter-agency collaboration to ensure implementation of the Blue Greenway in a cohesive manner. One of the elements identified in the Blue Greenway Planning and Design guidelines is the development of a way-finding system along the Blue Greenway. Unlike the City's Northeastern waterfront, the alignment of the Blue Greenway is not obvious to the user; in many locations the alignment is far away from the Bay's edge or adjacent to heavy industrial uses. In other locations sidewalks are sometimes narrow and non-existent and shoreline open spaces are separated by great distances. The 2008 Parks GO Bond proceeds have allowed the Port to retain Creegan and D'Angelo/FE Jordan and Kate Keating to design a way-finding system to a) improve recognition of the system of open spaces and the alignment of the Blue Greenway; b) help build an identity to the system; and c) allow for future area interpretation on the signs.

Port Consultant, Creegan + D'Angelo Engineers, and Kate Keating Associates Inc. prepared construction documents for this project. The engineer's estimate for the Project construction is approximately $870,000.

This solicitation for bids will require bidders to possess a Class A general contractors license with at least three (3) years' experience in performing work similar to this Project.

The proposed solicitation of bids will be advertised to reach general contractors through the following channels:

- Human Rights Commission list of contractors
- Human Resources Outreach list of contractors
- Port Internet
- City and County purchasing internet
- Plan Rooms (Builders Exchange, Contractors Information Network, etc.) 18 total
- Newspapers (SF Examiner and Small Business Exchange)

Port staff will adhere to San Francisco Human Rights Commission (HRC) bidding procedures and requirements. The Human Rights Commission staff has reviewed the project scope and established a 8% subcontracting goal for Local Business Enterprises (LBE), including small and micro LBEs. (Refer to HRC memorandum in Attachment B.)

San Francisco Local Hiring Policy for Construction

The Project will include the requirements to hire locally in accordance with the City's new Local Hiring Ordinance (known as the San Francisco Local Hiring Policy for Construction), which became effective on March 25, 2011. The mandatory participation level in terms of Project Work Hours within each trade to be performed by Local Residents is 25%, with a goal of no less than 10% of Project Work Hours within each trade to be performed by Disadvantaged Workers.

Regulatory Approvals

Port staff has secured all the required environmental and regulatory approvals for this project.

Funding

The Project will be funded by the 2008 Clean and Safe Neighborhood Parks General Obligation Bond (the "2008 GO Bonds"), which was authorized by Proposition A, and passed by San Francisco voters on February 5, 2008. The 2008 GO Bonds identified a total funding amount of $1,458,000 for the Blue Greenway Signage Project.

The following is a breakdown of the estimated costs for this Project:

$ 193,400	Creegan + D'Angelo Engineers, Engineering design and construction stage engineering services
$ 870,000	construction cost
$ 87,000	Project construction contingency, (10% of construction cost)
$1,150,400	**Total Estimated Cost for the Project**

Schedule

The anticipated Project schedule is noted in the table below:

Commission Approval of the Project Advertisement	February 26, 2013
Advertisement	March, 2013
Bid Opening	April, 2013
Award the Contract	April, 2013
Construction Start	May, 2013
Substantial Completion	November, 2013

Summary

Port staff are prepared to seek competitive bids for construction of the Project. Port staff request Port Commission authorization to advertise for competitive bids for construction contract No. 2761, Blue Greenway Signage Project.

Prepared by: Ken Chu, Project Manager
David Beaupre, Project Planner

For: Edward F. Byrne
Chief Harbor Engineer

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 13-05

WHEREAS, Port staff is prepared to advertise and seek competitive bids for Contract No. 2761, Blue Greenway Signage Project (the "Project"); and

WHEREAS, the Project will construct 22-foot height signage at 10 locations along the San Francisco southern waterfront between Mission Creek and Heron's Head Park; and

WHEREAS, Creegan + D'Angelo Engineers and Kate Keating Associates Inc., the Project consultant, have completed the project design drawings and construction specifications; and

WHEREAS, the current engineering construction cost estimate for the project is $870,000; and

WHEREAS, the engineer's construction cost estimate, including 10% contingency, plus design and engineering services, are within the available funds for the Project from the 2008 Parks General Obligation Bonds; and

WHEREAS, Port staff has secured all the required environmental and regulatory approvals for this Project; and

WHEREAS, the Project will include the requirements to hire locally in accordance with the City's new Local Hiring Ordinance (also known as the San Francisco Local Hiring Policy for Construction, Section 6.22(G) of the City Administrative Code), which became effective on March 25, 2011; and

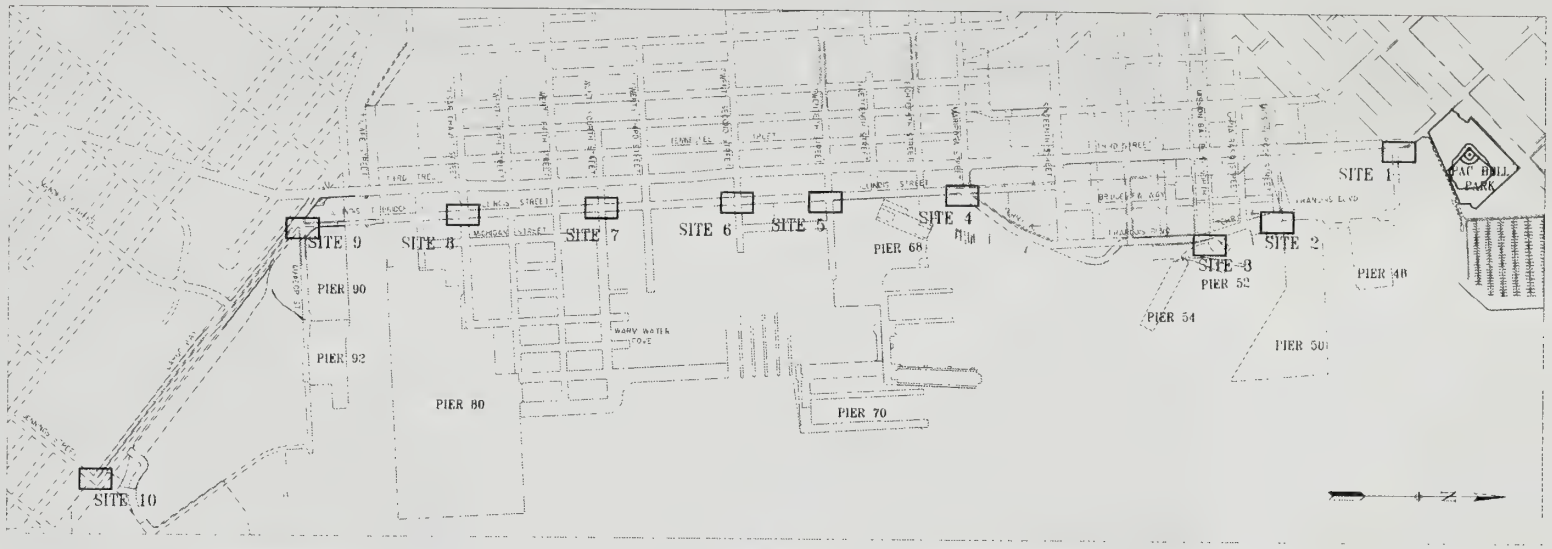
WHEREAS, in the solicitation of bids for this Project, Port staff will incorporate the 8% subcontracting goal for Local Business Enterprises (LBEs) established by the Human Rights Commission (HRC); now, therefore be it

RESOLVED, that the San Francisco Port Commission hereby authorizes Port staff to advertise for competitive bids for construction Contract No. 2761, Blue Greenway Signage Project.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 26, 2013.

_____
SECRETARY

CONSTRUCTION PLANS
FOR THE
BLUE GREENWAY SIGNAGE PROJECT
FOR THE
PORT OF SAN FRANCISCO
CITY AND COUNTY OF SAN FRANCISCO, CA
FEBRUARY 2013



SITE MAP
SCALE: 2,600

ABBREVIATIONS

AC	ASPHALT CONCRETE
BW	BACK OF WALK
C&GSW	CURB, GUTTER AND SIDEWALK
CONC	CONCRETE
ELEC	ELECTRICAL
EX	EXISTING
FC	FACE OF CURB
GV	GATE VALVE
MH	MANHOLE
N	NEW
POSF	PORT OF SAN FRANCISCO
SCO	CAROUT
ST	STREET
TSG	TRAFFIC SIGNAL
WV	WATER VALVE

SHEET INDEX

ARCHITECTURAL
- A1.0 COVER SHEET
- A2.0 ARCHITECTURAL ELEVATIONS
- A3.0 GENERAL ARRANGEMENT ARCHITECTURE
- A4.0 SIGN DETAILS

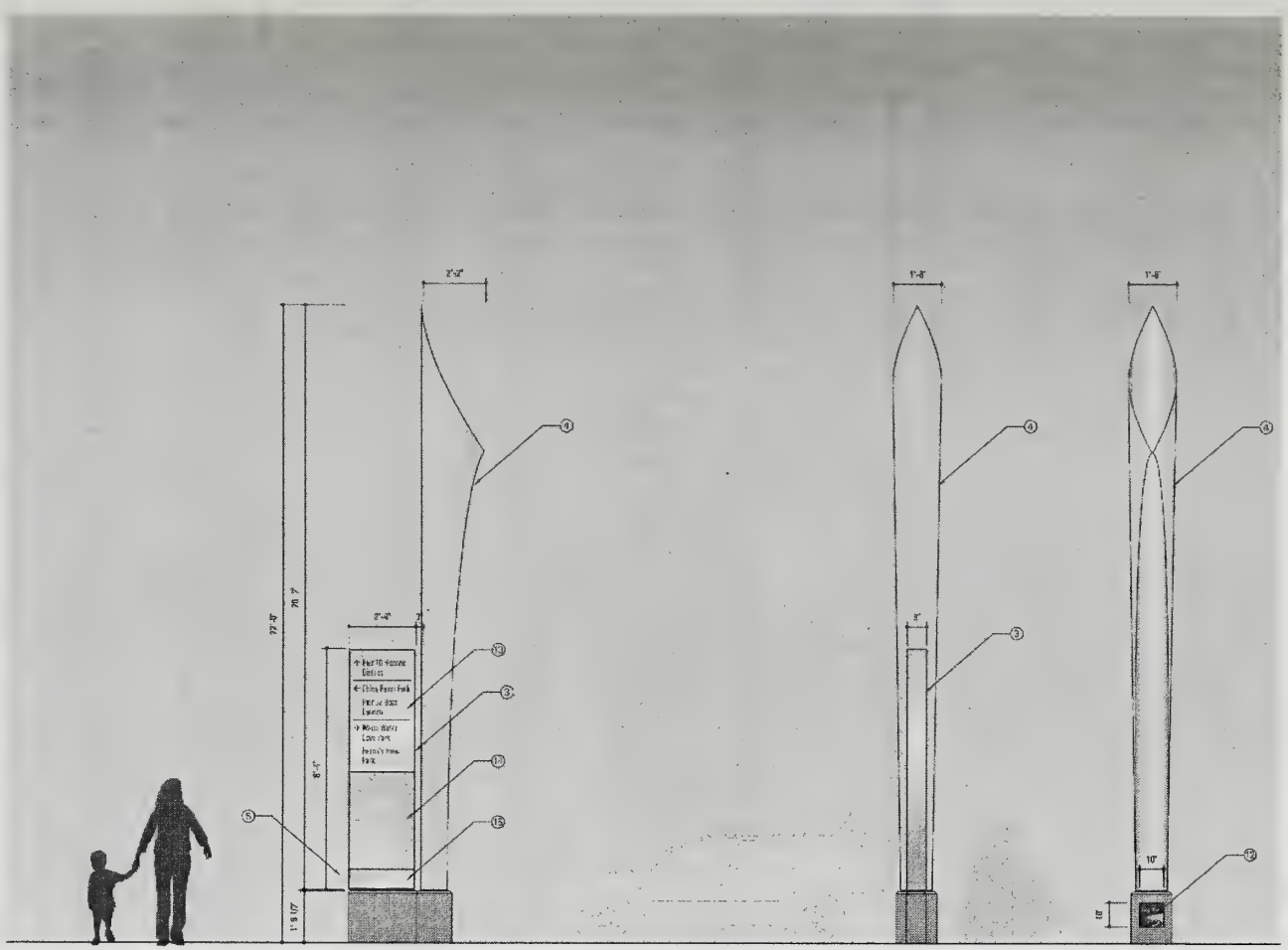
CIVIL
- C1.0 SITE 1 AND SITE 2
- C2.0 SITE 3
- C3.0 SITE 4 AND SITE 5
- C4.0 SITE 6 AND SITE 7
- C5.0 SITE 8 AND SITE 9
- C6.0 SITE 10

STRUCTURAL
- S1.0 BASE
- S2.0 BASE FRAMING
- S3.0 FOUNDATION DETAIL
- S4.0 GENERAL NOTES
- S5.0 GENERAL NOTES

(800)227-2600

Creegan+D'Angelo INFRASTRUCTURE ENGINEERS
170 Columbus Ave., Suite 240
San Francisco, CA 94133
Tel (415) 834-2010
Fax (415) 834-2011
www.cdengineers.com

DATE / DESCRIPTION / BY / CHK'D	REFERENCE INFORMATION: BASELINE AND DATUM OF SURVEYS	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	DESIGNED DATE C+D 02-12-13 DRAWN DATE LDG 02-12-13 CHECKED DATE RL/DC 02-12-13	APPROVED BY SAN FRANCISCO PORT COMMISSION DATE CHIEF HARBOR ENGINEER	SCALE: 1"=0 SHEET 1 OF 15	BLUE GREENWAY SIGNAGE SIGN LOCATION PLAN COVER SHEET AND INDEX	CONTRACT NO. 2761 DRAWING NO. A1.0 REV. NO. REV. NO.



SIFGNAGE ELEVATIONS 7
1/2" = 1'-0"

Creegan+D'Angelo
INFRASTRUCTURE ENGINEERS
170 Columbus Ave., Suite 240
San Francisco, CA 94133
Tel (415) 834-3010
Fax (415) 834-3013
www.cdengineers.com

Kate Keating Associates Inc.
Landscape Architecture
Urban Planning
1001 Sansome Street, Studio 2
San Francisco, CA
Tel 415 781 1900
Fax 415 781 1848

KEY NOTES

2 [illegible] ALUMINUM & ORNAMENTAL PAINT AS SHOWN ON PLANS ON ALL VISIBLE SIDES
4 [illegible] ALUMINUM SIGN PANEL WITH APPLIED VINYL BAY TRAIL LOGO GRAPHICS + COLORS. PANEL TO BE INSET INTO PEDESTAL
10 [illegible] ALUMINUM SIGNAGE PANEL. PAINT COLOR TBD WITH APPLIED VINYL GRAPHICS
12 [illegible] ALUMINUM MAP PANEL. PAINT COLOR TBD WITH OMNI APPLIED VINYL WRAP GRAPHICS WRAP ALL EXPOSED EDGES
15 [illegible] ALUMINUM SIGNAGE PANEL. PAINT COLOR TBD

NO	DATE	DESCRIPTION	BY	APP
		TABLE OF REVISIONS		

CHECK WITH TRACING OFFICE IF YOU HAVE LATEST REVISION

REFERENCE INFORMATION
FILE NO. OR SURVEY

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

DESIGNED	DATE CS 1/25/13
DRAWN	DATE KKA 1/25/13
CHECKED	DATE RL 1/25/13

APPROVED BY SAN FRANCISCO PORT COMMISSION
DATE _____
CHIEF HARBOR ENGINEER

SCALE: AS NOTED
SHEET OF SHEETS: 2 OF 14

BLUE GREENWAY SIGNAGE

ARCHITECTURAL ELEVATIONS

CONTRACT NO: 2743
DRAWING NO: A2.0
FILE NO
REV NO

OFFICE OF THE CITY ADMINISTRATOR
CONTRACT MONITORING DIVISION

:dwin M. Lee, Mayor
Jaomi M. Kelly, City Administrator

Maria Cordero, Director

ATTACHMENT B

MEMORANDUM

Date: February 15 2013

To: Kenneth Chu

From: Finbarr Jewell, CMD

Subject: Goal Approval Memo
Blue Greenway Signage, Contract Number 2761 (Revised)

The Contract Monitoring Division (CMD) completed its review of the Engineer's Estimate of the subcontractor opportunities for the above referenced project, as well as LBE availability data. Based upon this review, the LBE subcontractor goal for the project is 8%. Small and Micro-LBEs certified by CMD can be used to meet the subcontracting goal.

In addition, the following availability information should be conveyed in the bid specifications:

The LBE subcontractor participation goal for this contract is 8%. Small and Micro-LBEs certified by HRC can be used to meet this subcontracting goal.

Pursuant to Sec. 14B.9 of the San Francisco Administrative Code, bidders are hereby advised that the availability of Minority Business Enterprise ("MBE"), Women Business Enterprise ("WBE"), and Other Business Enterprises ("OBE") to perform subcontracting work on this project is as follows: 3.9% MBE, 0.8% WBE, and 3.4% OBE.

Bidders are further advised that they may not discriminate in the selection of subcontractors on the basis of race, gender, or other basis prohibited by law, and that they shall undertake all required good faith outreach steps in such a manner as to

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PORT OF SAN FRANCISCO

MEMORANDUM

February 21, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer
Executive Director

SUBJECT: Request authorization to execute a modification to Contract No. 2757, Pier 50 Valley Substructure Repair, with West Bay Builders Inc., to extend the original Contract duration of 240 days by an additional 71 days

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Introduction

Port staff requests that the Port Commission authorize a contract modification to the Pier 50 Valley Substructure Repair project, Contract No. 2757, to extend the original Contract duration of 240 days by an additional 71 days. Section 6.22(H) of the City Administrative Code requires Port Commission approval for this proposed contract modification because the proposed time extension will cumulatively extend the original Contract duration by more than 10 percent.

Background

The Port Commission, at its meeting on February 14, 2012, authorized staff to award Contract No. 2757, Pier 50 Valley Substructure Repair, to West Bay Builders Inc., in the not-to-exceed amount of $1,333,640, with an additional 10% contingency of $133,364 (Port Commission Resolution 12-06).

The project scope includes necessary structural repairs to the Pier 50 Valley Substructure, and topside improvements to the Pier 50 Valley roadway, specifically the construction of a bike lane. The work scope also includes structural repairs to the Port sign at the entrance to Pier 50. The structural repairs are necessary in order to sufficiently maintain the structures' structural integrity.

This Print Covers Calendar Item No. 9C

The original, contract substantial completion date was January 19, 2013. The revised substantial completion date, as proposed and recommended, is April 1, 2013.

Funding

The project is fully funded from the Port's 2010 Revenue Bond Fund. The proposed contract modification amends only the completion date and not the contract amount.

Schedule

Port staff recommend this extension to the contract duration because the original construction work scope and schedule were impacted by the following unforeseen conditions:

- After the Contractor started repair work for the Port sign at the entrance to Pier 50, the Contractor discovered additional structural damage which was only visible upon completion of some demolition. Port Engineering has directed the Contractor to execute additional repairs to the sign structure to address this unforeseen latent condition.
- After the Contractor started the original repair work for the slab substructure, the Contractor discovered additional structural damage to the slab which was only visible upon completion of some demolition. Port Engineering has directed the Contractor to execute additional slab repairs to address this unforeseen condition.

Summary

This construction project could not be completed within the original completion dates specified in the contract because of unavoidable delays as defined in the contract, which warrant a time extension of the contract. Under these circumstances, where the extension of time exceeds ten percent of the original contract duration, Section 6.22(H) of the City Administrative Code requires Port Commission approval for the time extension.

Port staff recommends that the Port Commission authorize this contract modification to the Pier 50 Valley Substructure Repair, Contract No. 2757, to extend the original contract duration of 240 days by an additional 71 days, and that the Port Commission ratify all actions taken by the Port staff in furtherance of such contract modification and time extension.

Prepared by: Joe Roger, Project Engineer

For: Edward F. Byrne, Chief Harbor Engineer

Exhibit A – Site Plan

Exhibit B – Pier 50 Sign

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 13-06

WHEREAS, The Port Commission previously authorized the award of Construction Contract No. 2757, Pier 50 Valley Substructure Repair, to West Bay Builders Inc. (the "Contractor") on February 14, 2012; and

WHEREAS, The project scope includes necessary structural repairs to the Pier 50 Valley Substructure, and topside improvements to the Pier 50 Valley roadway, specifically the construction of a bike lane. The work scope also includes structural repairs to the Port sign at the entrance to Pier 50; and

WHEREAS, Port staff became aware of the potential delays in project completion only after the Contractor encountered unforeseen conditions at the project site; and

WHEREAS, The Contractor's progress was delayed by the discovery of unknown field conditions that require additional structural repairs for the Port sign at the entrance to Pier 50, and for the valley substructure; and

WHEREAS, These unforeseen conditions required additional construction work which caused unavoidable delays as defined in the Contract, and which precluded completion of the contract within the original Contract duration, and therefore a time extension for Project completion is warranted; now, therefore be it

RESOLVED, That the Port Commission hereby authorizes Port staff to execute a contract modification to Contract No. 2757, Pier 50 Valley Substructure Repair, with West Bay Builders Inc., to extend the original Contract duration of 240 days by an additional 71 days, and the Port Commission hereby further ratifies all actions taken by the Port staff in furtherance of such contract modification and time extension.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 26, 2013.

_____

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 21, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer, Executive Director

SUBJECT: Request Approval of the Supplemental Appropriation to the Fiscal Year 2013-14 Operating and Capital Budget

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

On February 12, 2013, Port staff presented an informational report to the Port Commission on the proposed supplemental appropriation to the Fiscal Year (FY) 2013-14 Operating and Capital Budget. No substantive changes have been made to the report or the budget since the Port Commission's review. The proposed budget may change based on input from Mayor Edwin Lee and the Board of Supervisors.

Recommendation
Based on the Port's operating and capital project needs and available funding sources, Port staff submits the proposed supplemental appropriation to the Fiscal Year (FY) 2013-14 Operating and Capital Budget and recommends the Port Commission approve the proposed budget for submission to Mayor Edwin Lee.

Port staff will return to the Port Commission later this summer to report on the adopted FY 2013-14 Operating and Capital Budget and detail changes made by staff, the Mayor or the Board of Supervisors for Port Commission approval.

Two Year Budget Process
On November 3, 2009, voters passed Proposition A, which allows the City to implement a two-year budget cycle. In 2010 the Port, Airport and Public Utilities Commission piloted a two-year rolling budget cycle for FY 2010-11 and FY 2011-12. In 2012 the Board of Supervisors approved those departments' first fixed biennial budgets for FY 2012-13 and FY 2013-14, such that our next formal budget process will be in 2014 for the FY 2014-15 and FY 2015-16 biennial budget. Additionally in 2012, for the first time all other City departments prepared rolling biennial budgets, so they are currently undergoing a new budget process for FY 2013-14 and FY 2014-15.

This Print Covers Calendar Item No. 9D

Even though the Port is on a fixed two-year budget cycle, we have the opportunity to modify our FY 2013-14 budget by up to five percent of total expenditures approved for FY 2013-14 in the Annual Appropriations Ordinance (AAO) without undergoing a formal review by the Board of Supervisors. For the Port, 5% of total FY 2013-14 expenditures equates to approximately $4.6 million. As a result of citywide growth in salary and fringe rates, new demands for debt service to fund Phase II of the Pier 27 Cruise Terminal project and the availability of funds to support additional capital needs, Port Staff requests Port Commission approval to modify the FY 2013-14 budget by $4.3 million, or 4.2% of the total FY 2013-14 approved budget.

If the Port Commission grants the request, Port staff will submit a supplemental appropriation to Mayor Edwin Lee's office, for inclusion in the Mayor's Proposed Budget to the Board of Supervisors. However, since the Port's proposed changes are within the five percent threshold designated by the City Controller, Port Staff does not expect the Board of Supervisors to conduct line item budget review but instead to focus more on the Port's long term planning, which will be provided in the Five Year Financial Plan. A draft of that document will be presented to the Port Commission for review and comment on February 26, 2013.

City Budget Outlook

Even though the Board of Supervisors passed a balanced budget for FY 2013-14, as mentioned, most of the City departments are on a rolling two-year budget cycle and are updating their FY 2013-14 budgets and creating a new budget for FY 2014-15.

Unfortunately those departments that rely on the General Fund face another year of cuts, due to a projected $129.1 million shortfall for FY 2013-14 and a $263.1 million shortfall for FY 2014-15. *Table 1* below shows the contributing factors to these shortfall projections, which include modest year-over-year local tax revenue growth offset by a loss of federal and state revenues, expiration of one-time solutions used to balance the FY 2012-13 and FY 2013-14 budget, and growing expenses.

Table 1: Explanation of City's General Fund Deficits, FY 2013-14 & FY 2014-15 ($ millions)

Revenues	**FY 2013-14**	**FY 2014-15**
Loss of One-time Sources	-$18.7	-$32.8
Net General Fund Revenue Growth	49.0	128.6
Restore State and Federal Reserve to $15 M	-15.0	-15.0
Summary of Sources Changes	15.3	80.8
Major Expenditure Changes		
Salary and Fringe Benefit Costs	8.8	98.8
Baselines Funding Increases	45.7	61.9
Changes to Budgeted Reserves	31.7	-3.8
Loss of One Time Solutions	28.5	112.6
All Other Changes	29.8	74.4
Summary of Expenditure Changes	144.5	343.9
Summary		
Revenues	15.3	80.8
Expenditures	-144.5	-343.9
Projected Deficit	-$129.2	-$263.1

In order to address the shortfalls, Mayor Lee directed General Fund departments to submit ongoing savings equal to 1.5% of their General Fund Support for FY 2013-14 and an additional 1.5% of their current General Fund Support for FY 2014-15. While challenging, these requirements are a clear improvement over the prior year requirements of 5% in cuts, 2.5% in contingency savings and 1% reductions in Full Time Equivalent employees (FTEs).

While the Port is not subject directly to the Mayor's budget cuts, Enterprise departments were directed to absorb all known cost increases in FY 2013-14. In addition to addressing our own priorities to fund additional debt service and capital projects, the Port is absorbing citywide increases to salary and fringe attributable to Port employees. Fortunately, the Port is able to support growing expenses in FY 2013-14 through improved revenue and Fund Balance projections.

BUDGET OVERVIEW

The FY 2013-14 proposed budget is $105.6 million, which is a $4.3 million (4.2%) increase over the FY 2013-14 approved budget.[1] This includes: $81.0 million for the Operating Budget, which is an increase of $0.95 million (1.2%); $10.6 million for the Port's 15% Operating Reserve, which is an increase of $0.3 million (2.5%) to align with the growth in Operating Expenses; and $14.0 million for the Capital Budget, which is an increase of $3.1 million (27.9%).

[1] The FY 2012-13 and FY 2013-14 Operating and Capital budgets (Items 8A and 8B) were adopted by the Port Commission on February 28, 2012 and by the Board of Supervisors on July 17, 2012.

Table 2: Summary of Port Sources and Uses

	Budget 2012-13	Budget 2013-14	Proposed 2013-14	Change from Budget 2013-14 Amount	Change from Budget 2013-14 Percent
Sources					
Estimated Fund Balance	$19,525,884	$20,348,173	$23,663,134	$3,314,961	16.3%
Operating Revenue	74,646,369	76,088,339	77,039,451	951,112	1.3%
South Beach Harbor & Marina Funds	4,283,715	4,346,475	4,346,475	-	0.0%
Capital Project Defunding	0	0	0	0	0.0%
Transbay Environmental Payment	550,000	550,000	550,000	-	0.0%
Total Sources	**$99,005,968**	**$101,332,987**	**$105,599,060**	**$ 4,266,073**	**4.2%**
Uses					
Operating Expenses	$68,285,825	$ 69,392,151	$ 70,343,263	$ 951,112	1.4%
Annual Projects	5,820,585	4,302,166	4,302,166	-	0.0%
South Beach Harbor & Marina	4,283,715	4,346,475	4,346,475	-	0.0%
Designation to Future Capital	-	2,055,666	2,055,666	-	0.0%
Operating Budget, Subtotal	$78,390,125	$ 80,096,458	$ 81,047,570	$ 951,112	1.2%
Unappropriated Operating Reserve	$10,373,301	$ 10,293,753	$ 10,551,489	$ 257,736	2.5%
% of Operating Expenditures	*15%*	*15%*	*15%*		
Capital Project Appropriations	$10,242,542	$ 10,942,776	$ 14,000,000	$ 3,057,224	27.9%
% of Operating Revenue	*14%*	*14%*	*18%*		
Total Uses	**$99,005,968**	**$101,332,987**	**$105,599,060**	**$ 4,266,072**	**4.2%**

SOURCES

Compared to the FY 2013-14 approved budget, funding sources have improved by $4.3 million (4.2%), including $3.3 million in Fund Balance from a projection of year-end results for FY 2012-13 and $1.0 million in Operating Revenue for the budget year. Port Staff is confident that these additional sources are available to fund the FY 2013-14 budget due to better-than-projected year-end balance in FY 2011-12 and the recent completion of the Port's Six Month Report for FY 2012-13, which projects a year-end surplus.

Fund Balance

Due to budgeting conservatively relative to actual outcomes in revenue and expenditures, the Port projects $3.3 million more in available Fund Balance at June 30, 2013 to support the 15% Operating Reserve and Capital projects. Specifically, in FY 2011-12 the Port closed with a year-end balance that included $4.2 million in expenditure savings and $6.8 million in revenue collection over budget. Current projections for FY 2012-13 anticipate additional surplus at year end.

Revenue

The proposed $77.0 million FY 2013-14 Operating Revenue budget reflects a $1.0 million (1.3 %) increase overall to support proposed new expenditures. Port staff is confident that revenues in FY 2013-14 will support this growth based on revenue

projections for the current year. This report projects FY 2012-13 Operating Revenues exceeding the budget by 7%. While the current trends indicate that the Port's actual revenues in FY 2013-14 will exceed the proposed budget, there are some potential negative factors that warrant more conservative assumptions in the coming fiscal year. For example, the loss of $1.8 million in annual rent due to the termination of SFMTA's lease at Pier 70 for AutoReturn and the loss of meter and fine revenue from the removal of 33 parking meters along Jefferson Street, will have negative impacts on the Port's FY 2013-14 income. Further, the FY 2014-15 capital budget will rely on FY 2013-14 yearend savings.

The FY 2013-14 proposed budget increases Maritime revenues by $0.4 million. This change particularly reflects strong Cargo revenues resulting from the San Francisco Bay Railroad's continued growth due to the need for rail transport of contaminated soils from projects such as the Central Subway, Hunter's Point and Downtown construction projects.[2] Additionally, Cruise, Fishing and Harbor Services are projected to grow in the coming year but are offset by a decline in Ship Repair due to the correction of an over assumption regarding power usage to date and corresponding revenues collected from the Pier 70 shoreside power surcharge. Otherwise, Ship Repair revenues are holding strong, particularly in overage rent from the tenant due to the growing frequency of large ships coming in for repair following the deepening of the Central Basin in 2011. Finally, Real Estate revenues are budgeted to increase by $0.6 million (6.8%), particularly due to the ongoing growth in Parking Meters and Fine revenue due to the addition of new meters and utilization of traffic enforcement officers.

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[2] *Information Presentation on Real Estate and Maritime Revenues for the First Quarter of Fiscal Year 2012-13* (Item 11A), January 18, 2013.

Table 3: Summary of Port Operating Revenues

	Projected 2012-13	Budget 2013-14	Proposed 2013-14	Change from Budget 2013-14 Amount	Change from Budget 2013-14 Percent
Maritime					
Cargo	$ 5,037,670	$ 4,795,200	$ 5,119,599	$324,399	6.8%
Cruise	3,059,214	3,162,000	3,222,000	60,000	1.9%
Fishing	2,062,153	2,110,000	2,130,000	20,000	0.9%
Harbor Services	2,015,164	1,992,300	2,023,224	30,924	1.6%
Ship Repair*	1,802,395	1,893,167	1,776,298	-116,869	-6.2%
Other Marine	1,520,497	1,607,000	1,639,468	32,468	2.0%
Subtotal	*15,497,093*	*15,559,667*	*15,910,589*	*350,922*	*2.3%*
Real Estate					
Commercial/Industrial	44,326,799	42,497,365	42,497,365	0	0.0%
Parking	17,599,287	15,919,000	16,519,190	600,190	3.8%
Subtotal	*61,926,085*	*58,416,365*	*59,016,555*	*600,190*	*1.0%*
Other					
Interest on Investments	693,000	812,500	812,500	0	0.0%
Permits	499,281	500,000	500,000	0	0.0%
Miscellaneous	218,682	427,507	427,507	0	0.0%
Developer Fees	779,652	300,000	300,000	0	0.0%
Special Events	70,000	47,000	47,000	0	0.0%
Penalties/ Charges	41,337	19,300	19,300	0	0.0%
Facility Damage	-	6,000	6,000	0	0.0%
Filming	1,564	-	-	0	0.0%
Subtotal	*2,303,516*	*2,112,307*	*2,112,307*	*0*	*0.0%*
Total Revenue	$ 79,726,695	$ 76,088,339	$ 77,039,451	$951,112	1.3%

**Revenue change relates to shore side power surcharge only.*

EXPENDITURES

Overall, the proposed FY 2013-14 budget is $105.6 million, which is a $4.3 million (4.2%) increase over the approved FY 2013-14 budget. This change reflects increased expenditures in both the Operating and Capital budgets as well as the 15% Operating Reserve requirement that was implemented by the Port Commission in 2008.

Operating Budget

The proposed FY 2013-14 Operating Budget is $81.0 million, which is a $1.0 million (1.4%) increase compared to the $80.1 million approved Operating Budget. This change is comprised of Salary and Fringe adjustments and an additional allocation to Debt Service.

Salaries and Fringe Benefits
The proposed budget reflects a $0.2 million increase in the cost of salaries and fringe benefits related to currently budgeted staffing levels resulting from a citywide adjustment to rates applied by the City Controller's Office.

Debt Service
The proposed supplemental includes an increase in debt service to reflect the issuance of approximately $17.0 million in debt (net proceeds) to cover a portion of the Phase II Cruise Terminal construction costs. Preliminary details of this proposed debt issue are currently being discussed with the Port's financial advisor, and will be brought to the Port Commission for its consideration and approval later this year. This new debt issuance will add approximately $0.8 million to the Port's total debt service in FY 2013-14. Revenues from a new cruise terminal passenger facility charge will offset some of the impact to the Port operating expense budget in the future, but these new revenues are not anticipated to begin until the new cruise terminal begins receiving cruise passengers; not scheduled until FY 2014-15.

Table 4: Summary of Port Operating Expenditures

	Budget 2012-13	Budget 2013-14	Proposed 2013-14	Change from Budget 2013-14 Amount	Change from Budget 2013-14 Percent
Salaries & Benefits	$ 32,556,481	$ 34,195,129	$ 34,346,241	$ 151,112	0.4%
City-wide Overhead*	-	-	-	-	0.0%
Other Current Expenses	12,445,355	11,558,978	11,558,978	-	0.0%
Materials and Supplies	1,402,166	1,439,598	1,439,598	-	0.0%
Capital Outlay (Equipment)	572,685	477,421	477,421	-	0.0%
Annual Projects	10,104,300	8,648,641	8,648,641	-	0.0%
Debt Service	5,995,560	6,289,872	7,089,872	800,000	12.7%
Interdept. Workorders	15,503,746	15,591,321	15,591,321	-	0.0%
Interdept. Recoveries	(190,168)	(160,168)	(160,168)	-	0.0%
Total Expenditures	$ 78,390,125	$ 78,040,792	$ 78,991,904	$ 951,112	1.2%

*Currently, the Controller's Office has not budgeted City-wide Overhead to the Port to reimburse the Port for prior overpayments. However, Port staff is in conversation with the Controller's Office to verify that payment is not due in FY 2013-14.

Operating Reserve

In 2008 the Port Commission passed a policy requiring the Port to maintain an Operating Reserve that is 15 percent of Operating Expenses.[3] The Port's policy and practice in this regard contributes to the Port's strong revenue bond ratings. As a result of the increased expenditures in the Operating Budget, the Operating Reserve

[3] The Port Commission passed a policy in 2008 that requires the Port to maintain a 15 percent reserve of Operating Expenditures.

increased by $0.3 million (2.5%), from $10.3 million to $10.4 million. As described above, Operating Reserve is supported by Unappropriated Fund Balance.

Capital Budget

As the Port Commission is aware, the Port's repair and replacement Capital Budget has historically been too low to adequately address capital needs. Of particular concern is the serious deterioration of Port facilities to the point of being unsafe and unusable. A companion Port Commission informational item of this agenda (February 12, 2013) describes the current facilities which are red tagged and those projected to be red tagged in the next 5 and 10 year horizon. Fortunately, the proposed FY 2013-14 Capital Budget is $14.0 million, or $3.1 million (27.9%) more than previously approved due to the availability of additional Fund Balance.

When it became clear that additional funding would be available for the FY 2013-14 Capital Budget, Port Staff underwent a scoring process for all previously approved and newly proposed capital projects using criteria detailed in Exhibit III. From that exercise, no projects were removed from the Capital Budget, but funding was allocated to support the following priorities:

Table 5: Summary of Capital Project Changes for FY 2013-14

Pier 35 Substructure	$1,900,000
Roof Repair	1,375,224
Port ADA Transition	200,000
Pier Repair Project	(418,000)
Total	**$3,057,224**

Pier Structures Repair

The funding recommendation for the Pier Structures Repair Project is $0.7 million, or $0.4 million less than the $1.15 million that was previously approved for FY 2013-14. This change actually reflects the addition of the Wharf J-9 project in FY 2014-15. Accomplishing this additional project with less funding is directly linked to a new strategy to fund an additional pile repair crew rather than contract out work for the most urgent pile repair projects. This savings was identified as part of the 34th America's Cup capital work, when it was determined that the Maintenance Division could complete repairs to the Pier 19 South Apron for $1.5 million rather than contract out the work for an estimated $3.25 million.[4] A couple key differences in pricing relate to using Port equipment, rather than paying contractors' equipment rental rates, and avoiding the contractors' overhead and profit costs. Another factor is the additional cost of completing designs and project specifications prior to putting projects out for bid. The Maintenance Division is also able to respond to unforeseen conditions without triggering new design requirements and change orders.[5] With the addition of a 2nd pile crew, the Port's Maintenance Division expects to complete the following projects in FY 2013-14:

[4] Maintenance labor is approximately $0.5 million and the balance is for materials and supplies, including asphalt.

[5] Another consideration is the Port's flexibility to redeploy staffing to other projects if there are project delays due to unforeseen conditions.

completion of repairs at Wharf J-7; removal of the ghost piles at Pier 64 and the construction of a bird nesting platform; repairs to the Pier 94 fenders, and repairs to Pier 92. The second crew will complete critical Wharf J-9 repairs in FY 2014-15. Without the 2nd pile crew, the repairs to Wharf J-9 would not be completed in the two year time frame and Pier 92 work would be scheduled a year later in FY 2014-15. If the Port were to contract out, completion of Wharf J-9 by the end of FY 2014-15 would require additional costs of between $4 and $5.6 million.

While the Port has an existing pile repair staff, comprised of 11 pile workers, an additional crew will allow for (i) succession planning, and (ii) the ability to address preventative maintenance projects and tackle the backlog of critical large pier repair projects over the next few years. The Port's existing crew is already fully programmed for needed work at Pier 64, the Pier 94 fenders and Wharf J7. If approved, in FY 2013-14 the additional crew will address Pier 92, which is estimated to take approximately a year to complete and is a valuable revenue-generating resource to the Port. Depending upon the type of material used for replacement piles, this effort may also require a second dive crew in FY 2014-15 to wrap newly installed wood piles to protect them and ensure the longevity of the piers. Notably, the proposed second pile crew will be capital project funded and project exempt, such that the second crew will sunset when the backlog of under pier capital projects are addressed.

Table 6: Total Available Funding for Pier Structure Repair Projects

Expenditures	Existing Funding	Proposed 2013-14	Total Funding
Wharf J-7*	$ 86,500	$ -	$ 86,500
Pier 92 Repairs*	$2,000,000		$ 2,000,000
Pier 94 Fenders*	$ 300,000		$ 300,000
2nd Pile Driving Crew	$ -	$732,000	$ 732,000
	$ 2,386,500	$ 732,000	$ 3,118,500

* Assumes the cost of materials and supplies only. Port labor costs to perform the projects are listed separately.

Pier 35

The funding recommendation for the Pier 35 Project is $3.0 million, which is $1.9 million more than the $1.1 million that was previously approved. The additional funds will complete critical repairs to the pier substructure that are necessary in order to keep the facility operational. In FY 2011-12, through supplemental appropriations, the Port reallocated almost all of the 2010 Revenue Bond project funding from the Pier 35 project to the Pier 27 cruise terminal project in order keep the project on schedule for a substantial completion date of March 1, 2013. Port staff now desires to restore these funds to the Pier 35 project.

Roof Repair Project

The funding recommendation for the Roof Repair Project is $1.7 million, which is $1.4 million more than the $0.35 million that was previously approved. These funds will finance a new roof on the south side of the Pier 35 shed and repairs to the roof deck and roof drainage system. The roof has deteriorated at a faster rate than anticipated

and is causing damage to the superstructure. Port staff considers this a high priority project due to the damage that is being caused by water intrusion into the building.

Port ADA[6] Requirements

The funding recommendation to meet Port ADA Requirements is $0.3 million, which is $0.2 million more than the $0.1 million that was previously approved. These monies will fund an in-depth survey and assessment of all of the Port's exit doors for compliance with egress and ADA requirements. The additional funds will also allow the Port to begin the repairs and modifications of doors that are found to be non-compliant.

A complete list and descriptions of the projects receiving funding for FY 2013-14 are provided in Exhibits II and III. The recommended revisions to the Capital Budget overwhelmingly address critical need facilities that, without immediate intervention, will become unsafe and unusable.

SOUTH BEACH HARBOR

While only technical budget changes are being proposed with regard to the South Beach Harbor and Marina, Port Staff believe that it is appropriate to update the Port Commission on the status of this budget and relationship to the Port.

The approved FY 2013-14 budget for the South Beach Harbor was set after Assembly Bill 26 dissolved Redevelopment Agencies and defined successor agencies as the city and/or county. This resulted in a merger of interest which effectively terminated the South Beach and Rincon Park leases between the Port Commission and the Redevelopment Agency. As a result, the approved budget reflected the Port assuming all the revenues and expenses of the South Beach Harbor operation.

However, in June 2012, the California Legislature adopted legislation amending AB 26, known as Assembly Bill No. 1884. This changed the definition of successor agency such that the successor agency is a separate public entity from the city and/or county that provides for its governance. This meant that leases between the Port Commission and the Redevelopment Agency did not terminate by operation of law. The Successor Agency, renamed the Office of Community Investment and Infrastructure (OCII), cannot transfer the revenue bond obligations and the related South Beach improvements to the Port until the debt obligation is fully paid off in December of 2016. Port and OCII staff have been negotiating a Memorandum of Agreement (MOA) to terminate the leases, with the exception of South Beach Harbor. The draft MOA, which is subject to approval by the Port Commission and OCII Commission, designates the Port as the management operator for South Beach Harbor through FY 2016-17. Thereafter, the lease would terminate and the Port would own and operate the South Beach Harbor. Between FY 2012-13 and FY 2016-17, the Port would collect all revenues to pay non-salary operating expenses, and the OCII would use remaining revenues to pay employee and debt service costs. Port staff will make technical corrections to the FY 2013-14 budget to reflect the MOA once approved by all parties. It is anticipated to be reviewed by the Port Commission following review by the OCII Commission. These technical changes should not impact the overall appropriation to the South Beach Harbor project.

[6] Americans with Disabilities Act (ADA) projects.

CONCLUSION

The Port's proposed changes to the FY 2013-14 Operating and Capital Budget reflect a $4.3 million (4.2%) change to the approved budget for FY 2013-14. The budgetary growth addresses citywide adjustments to salary and fringe rates and allows for additional resources to support capital enhancement as well as repair and replacement projects. Port Staff projects improved availability of Operating Revenue and Fund Balance that support the additional costs. Above all, the changes in the budget reflect the Port's priority to complete the Cruise Terminal project and stem the deterioration of select Port infrastructure.

Comments, input and feedback from the Port Commission and the public are welcomed and appreciated. Port staff will continue to fine-tune these line items and return to the Port Commission for final review and approval of this biennial budget at the February 26, 2013 meeting.

Prepared by:	Meghan Wallace, Budget Manager Finance and Administration
	Lawrence Brown, Financial Analyst Finance and Administration
For:	Elaine Forbes, Deputy Director Finance and Administration

Exhibit I – Capital Project Budget Change Overview for FY 2013-14
Exhibit II – Capital Project Budgets details
Exhibit III – Scoring Criteria for Port Capital Project Funding Requests

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 12-15

WHEREAS, In November 2009, the voters of San Francisco approved Proposition A which amended Section 9.100 of the San Francisco Charter to require the City to adopt a new rolling two-year budget cycle; and

WHEREAS, On November 1, 2011 under File No. 11-1009, "Resolution adopting a fixed two-year budgetary cycle for the Airport, the Port, and the Public Utilities Commission, defining terms, and setting deadlines," the Board of Supervisors determined that the Port must adopt a fixed biennial budget; and

WHEREAS, The Board of Supervisors approved a Fiscal Year 2012-13 and Fiscal Year 2013-14 Biennial Operating and Capital Budget; and

WHEREAS, The Port Commission has the opportunity to amend the Fiscal Year 2013-14 Biennial Operating and Capital Budget through a supplemental appropriation; and

WHEREAS, The Port Commission staff has developed a proposed supplemental appropriation for the Fiscal Year 2013-14 Operating and Capital Budget; and

WHEREAS, The proposed Operating and Capital Budget for FY 2013-14 includes projected revenues of $81,935,926 and the proposed Operating and Capital Budget for FY 2013-14 includes projected fund balance of $23,663,134; and

WHEREAS, The proposed Operating and Capital Budget for FY 2013-14 includes $105,599,060 of total projected expenses, which, pursuant to Port policy, includes a $10,551,490 operating reserve and a $2,055,666 designation of operating revenues to address projects in the 10-Year Capital Plan; and

WHEREAS, The proposed Biennial Operating Budget is described in greater detail in the staff's memorandum to the Port Commission, dated February 21, 2013, accompanying this Resolution and on file with the Secretary of the Port Commission; and

WHEREAS, The proposed Operating and Capital Budget must also be approved by Mayor Edwin Lee and the Board of Supervisors; and, now therefore, be it

RESOLVED, That the Port Commission hereby approves the supplemental appropriation to the Fiscal Year 2013-14 Operating and Capital Budget as proposed by staff; and be it further

RESOLVED, That the Port Commission hereby authorizes the Executive Director to make such changes to the operating budget that the Executive Director deems to be in the Port's best interest, and, be it further

RESOLVED, That after the Operating and Capital Budget has been approved by Mayor Lee and the Board of Supervisors, staff is directed to return to the Port Commission to report on, and receive Port Commission approval for any material changes to the Biennial Operating Budget.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 26, 2012.

_____
Secretary

EXHIBIT I

	Previously Approved Funding	Current Proposed Funding	Variance
ıpital Project Budget Change Overview for FY 2013-14			
ɔrtheast Waterfront:			
Pier 35 Substructure Repair Project	1,100,000	3,000,000	1,900,000
ɔuthern Waterfront:			
Pier 70 Infrastructure Study	200,000	200,000	
Southern Waterfront Greening/Beautification Improvements	150,000	150,000	
Southern Waterfront Open Space Enhancements/Alternative Energy	550,000	550,000	
Pier 80,92,96 Rail Track Project	100,000	100,000	
ɔrtwide Projects:			
Emergency Capital Project Fund	502,776	502,776	
Dredge Materials Testing FY 2013-14 Program	750,000	750,000	
Maintenance Dredging FY 2013-14 Program	3,200,000	3,200,000	
Port ADA Transition Plan	100,000	300,000	200,000
Pier Structures Repair Project, Phase II	1,150,000	732,000	(418,000)
Utilities Project	2,690,000	2,690,000	
Roof Repair Project	350,000	1,725,224	1,375,224
Leasing Capital Improvement Project	100,000	100,000	
ɔtal Proposed Project Funding	**$10,942,776**	**$14,000,000**	3,057,224

CAPITAL PROJECT BUDGETS
(Port Operating Fund Balance)

Project Name	Previously Approved FY 2013-14	Current Proposal FY 2013-14	Description
Pier 35 Substructure Repair Project	$1,100,000	$3,000,000	This project provides funding for needed repairs to the substructure of Pier 35. Included in the scope of this project is repairing pilings, beams, girders and slab panels. Completing these repairs is needed in order to keep the Pier 35 facility operational over the next 10 years. As part of its approval of the FY 2013-14 capital budget on February 28, 2012, the Port Commission approved $1,100,000 in funding for this project. This represented a partial restoration of project funding necessitated by the reallocation of $2,269,040 in 2010 Revenue Bonds from the Pier 35 substructure repair project to the Pier 27 cruise terminal project. The reallocation was required in order to keep the cruise terminal construction project on schedule. Port staff has now determined that certain critical repairs need to be completed relatively soon in order to keep the facility operational. As a result, Port staff is recommending an additional $1,900,000 in funding be provided in order to complete these repairs.
Pier 70, Infrastructure Study	$200,000	$200,000	Following an extensive public planning process, the Port published its Master Plan for the Pier 70 area in April 2010. The Master Plan balances ship repair activities, new waterfront parks, rehabilitated historic buildings, and new development opportunities over the 69-acre area. Several implementation efforts are underway including working with the ship repair operator, seeking developers for historic buildings, initial park improvements, and a 25 acre development project. This project provides funding for a comprehensive study and design of the infrastructure systems at Pier 70. The infrastructure systems (roadways, water, sewer, electrical and storm water) will all need to be built or rebuilt in order to support a reuse of the site. A study is needed to determine the existing infrastructure, design appropriate systems to support the planned reuse of the site, develop cost estimates, identify infrastructure financing mechanisms, and to develop a model to equitably allocate costs across future users. By developing the infrastructure design and cost estimates itself, rather than relying on potential developers to accomplish these tasks, the Port can expedite the project approvals and reduce development uncertainty, thereby reducing the overall project costs, and improving the Port's expected financial return.

CAPITAL PROJECT BUDGETS (cont.)
(Port Operating Fund Balance)

Project Name	Previously Approved FY 2013-14	Current Proposal FY 2013-14	Description
Southern Waterfront Greening/Beautification Improvements	$150,000	$150,000	This project provides funding for greening and beautification projects and related improvements for sites located in the Southern Waterfront. On November 17, 2007 the Port Commission adopted a policy that established a Southern Waterfront Community Benefits and Beautification Fund, and a funding mechanism consisting of a revenue set aside from the collection of rent generated by new leasing in the area. To date, $530,000 in funding has been provided for this project. $150,000 is now needed to cover the Port's expected obligation generated by projected leasing activity in FY 2013-14. Projects to be funded by this project include: i) a bike and pedestrian improvement pilot project for Cargo Way, ii) public art for the silos at Pier 90; ii) interpretative signage within the Pier 70 project area; and iv) Port tenant and wayfinding signage for Pier 90 – 96. Funding is also provided for other greening and beautification projects for the Southern Waterfront as needed. The improvements funded by this project will contribute to the quality of life for visitors and residents that live in communities that are adjacent to the Port's property in the Southeast part of San Francisco.
Southern Waterfront Open Space Enhancements and Alternative Energy	$550,000	$550,000	This project provides funding for the development of new open spaces and improvements to existing open spaces located within the area of the Southern Waterfront that is the focus of the Port's Blue-Greenway planning process. Project funds may also be utilized to support alternative energy projects that meet guidelines outlined in the Port's lease agreement with Transbay Cable. Funding provided by the project for FY 2013-14 will be used to supplement funds provided by the 2008 Clean and Safe Neighborhoods Park G.O. bond for the design and construction of improvements at Crane Cove park.
Piers 80, 92, 96 Rail Track Maintenance and Upgrade Project	$100,000	$100,000	This project funds the repair and/or replacement of deteriorated railroad track at Piers 80, 92, and 94-96. Funding is also provided for consultant studies, as well as the engineering and construction of additional rail links to these facilities and other rail improvements. Recent studies performed by a railroad consultant indicate that improvements to the rail track system at Pier 80, and 94-96 are needed in order to improve the versatility and productivity of these facilities. In addition, failure to maintain the Port's rail trackage can ultimately lead to track failure and derailment of locomotive and flat cars and an associated disruption to the Port's cargo business.

CAPITAL PROJECT BUDGETS (cont.)
(Port Operating Fund Balance)

Project Name	Previously Approved FY 2013-14	Current Proposal FY 2013-14	Description
Emergency Capital Project Fund	$502,776	$502,776	This project provides funding for unforeseen capital projects which are of an urgent or emergency nature. Emergency projects are those that: (i) adversely affect health and safety if not done immediately; (ii) are required by law to be completed immediately; or (iii) will have a serious adverse impact on Port assets if not done immediately. Funding is also provided for disaster response and recovery. $500,000 in funds from this project were used to pay for the costs on an emergency response and shoring of the Pier 29 bulkhead necessitated by a fire at that facility on June 20, 2012. The FY 2013-14 funding will replenish the emergency capital project fund. Not having sufficient available appropriated funding to address disaster response and recovery, and emergency projects in a timely manner could have a serious negative impact on the Port and its operations.
Dredge Materials Testing – FY 2013-14 Program	$750,000	$750,000	This project will fund the testing of sediments to be dredged for chemical and biological contaminants. This project supports the Port's dredging activities scheduled for FY 2013-14. Environmental regulations require chemical and biological testing of the sediments in any area to be dredged in order to determine the amount (if any) of contaminants in the soil. Results of the testing are used to determine the proper disposal site.
Maintenance Dredging – FY 2013-14 Program	$3,200,000	$3,200,000	This project will fund the Port's dredging activities scheduled for FY 2013-14. It will fund dredging at Piers 27, 35, 80, and 92, the Islais Creek Channel, and other berths as needed. Maintenance dredging is necessary for the continued operation of Port maritime facilities. Dredging keeps berths and channels at navigable depths, including sites where the Port has contractual obligations with shipping lines and operators.
Port ADA Transition Plan – Add'l Funding	$100,000	$300,000	This project provides funding for physical improvements to the Port's public facilities to make them accessible to the disabled. To date, $2,376,416 has been appropriated for this project; almost all of which has been either expended or committed for specific ADA projects. Port staff is recommending that an additional $200,000 in funding be provided for repairs and modifications to the exit doors at various Port facilities. Funds would be used to conduct an in depth survey and assessment of all of the Port's exit doors for compliance with egress and ADA requirements. Funding would also be available to begin the repair and/or modification of those doors identified as been non-compliant. The remaining doors identified as being non-compliant will be repaired or modified in the future as funding becomes available.

CAPITAL PROJECT BUDGETS (cont.)
(Port Operating Fund Balance)

Project Name	Previously Approved FY 2013-14	Current Proposal FY 2013-14	Description
Pier Structures Repair Project, Phase II - Add'l Funding	$1,150,000	$732,000	This project funds engineering, permitting, inspection and repair of, or improvements to, the Port's deteriorated pier structures including substructures, superstructures, and marginal wharfs. Funds are also provided for labor and equipment as needed. To date, $10,167,000 has been appropriated for this project; almost all of which has been either expended or committed for various pier repair projects. Proposed funding for FY 2013-14 is for the hiring of seven additional pile workers to staff a second pile driving crew. A second pile driving crew will permit the Port to reduce its current backlog of pier repair capital projects. The proposed funding for FY 2013-14, along with existing available monies from the pier repair fund and the America's Cup funds will provide the Port's Maintenance Department with the resources to undertake the following projects in FY 2013-14: (i) Pier 92 repairs, (ii) Pier 94 fender project, (iii) completion of repairs started at Wharf J-7, (iv) Pier 64 pile removal, and (v) Pier 19 North Apron. Funding is also be available for the repair of pier structures at other facilities as needed. Although the current proposed funding for the Port's pier structures repair project is less than the prior Commission authorization, when funding for the repairs to the Pier 35 substructure are factored in, total recommended funding for the repair of Port piers has actually increased as compared to funding levels approved by the Port Commission at their February 28, 2012 meeting.
Utilities Project – Add'l Funding	$2,690,000	$2,690,000	This project provides funding for necessary utility repair and capacity related improvements to the utility infrastructure servicing various Port facilities. Utilities include electric power, lighting, telephone, gas, HVAC, electronic security, water, sewer and drainage service. This project also funds fire system certification, and needed repairs and improvements to fire and alarm systems at various facilities. Also included is funding for labor and equipment as needed to facilitate the repairs. Since FY 2003-04, $3,637,000 has been appropriated for this project; almost all of which has been committed for specific utility projects.

CAPITAL PROJECT BUDGETS (cont.)
(Port Operating Fund Balance)

Project Name	Previously Approved FY 2013-14	Current Proposal FY 2013-14	Description
Utilities Project			Additional funds are now needed for: i) improvements to the electrical service and distribution system at Pier 50, ii) repairs to the electrical distribution system at Hyde Street Harbor, and iii) repairs to the underpier utilities at several Port facilities. Funding provided will also be available for utility-related repairs at other facilities as needed. As the result of a significant water leak at Pier 15 that occurred in 2009, the Port is under an order from the Regional Water Quality Control Board to repair and/or replace failing water and sewer utilities under its piers. To begin the process, $2,390,000 of the $2,690,000 in funding for FY 2013/14 will be allocated to addressing its underpier utility needs, including the replacement of the water and sewer lines at Pier 9.
Roof Repair Project.	$350,000	$1,725,224	This project provides funding for the (partial and full) replacement of, and repairs to, the roofs and related roofing systems of the Port's buildings and sheds in order to stop water infiltration. Funding provided by this project will be allocated for repairs to roofing systems at other facilities as needed, as well as for labor and the cost of equipment as needed to facilitate the repairs On-going leaks contribute to dry rot of wooden structural components and potential liability claims. Dry rot, in turn, leads to the deterioration of the structural integrity of the affected Port facilities, which over time will require major structural repairs at a much higher cost. As part of its approval on February 22, 2011 of the FY 2011-12 capital budget, the Port Commission approved defunding $752,714 from this project with the understanding that funding would be restored at a later date. On February 28, 2012, as part of its approval of the Port's two year capital budget, the Port Commission approved restoring $350,000 of these funds in FY 2013-14. Port staff is now recommending that funding for FY 2013-14 be increased to $1,725,224 in order repair the roof at Pier 35, and damage to the building caused by the intrusion of water into the South side of the shed for the past several years.

CAPITAL PROJECT BUDGETS (cont.)
(Port Operating Fund Balance)

Project Name	Previously Approved FY 2013-14	Current Proposal FY 2013-14	Description
Leasing Capital Improvement Project – Add'l Funding	$100,000	$100,000	As part of lease negotiations with Port tenants, or potential tenants, it is sometimes necessary for the Port to make certain improvements to a facility in order to conclude lease negotiations. This project provides funding for capital improvements needed as part of the leasing process. Improvements financed may include, but are not limited to, electrical and plumbing upgrades, roof repairs, HVAC, structural improvements, ADA upgrades, paving, and fencing. To date, $1,650,000 in project funds have been provided for urgent repairs to Pier 19-23 and site improvements to parcels located in the backlands area of the southern waterfront. $100,000 in additional funding is now needed to fund capital improvements that may be needed in FY 2013-14 at various facilities as part of the leasing process. Leasing activity that may likely benefit from capital improvement funded by the project include the leasing of office space at Pier 50, SWL 345, potential office and retail space at Pier 33 North, and the retail space once occupied by the former Jelly's Restaurant.
Total Proposed Project Funding	$10,942,776	$14,000,000	

Exhibit III

Scoring Criteria for Port Capital Project Funding Requests

The first set of "evaluation" criteria used by the Capital Plan Working Group to score capital project funding requests submitted by the Port's divisions address public safety and the Port's mission, as set out in the Burton Act and Transfer Agreement of 1969. The funding requests were scored in increments of five points, up to the maximum specific to each criterion, as follows:

Review Criterion	Maximum Score
Does the project address a code or regulatory issue?	20
Does the project significantly reduce potential liability to the Port?	15
Does the project promote commerce, navigation or fisheries?	10
Dees the project attract people to the waterfront?	10
Does the project protect natural or cultural resources?	15

The second set of evaluation criteria used evaluates the payback period and the return on investment of those capital projects that would bring in additional revenue and/or reduce Port operating costs. The first criterion is intended to capture the efficiency of the investment, the second criterion, the scale of the financial impact. These criteria were scored for each project in increments of five points as follows:

Review Criterion	Maximum Score
What is the payback period, if 10 years or less	10
What is the total 10-year financial benefit to the Port?	20

Finally, all projects were reviewed to determine if they fell into one or more of the four major categories listed below. The Capital Pan Working Group determined that a project belonging to one of these groups was worthy of separate consideration either before or after other projects, depending on the category.

Prioritization Category

Is the project required to address an emergency, defined as an immediate threat to human health or the environment?

Is the project legally mandated by a regulatory order or legal judgment?

Is the project substantially matched by outside funding sources?

De-prioritization Category

Is the project non-revenue generating and does it have less than 25% in outside matching funds?

PORT OF SAN FRANCISCO

MEMORANDUM

February 21, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer
Executive Director M Moyer

SUBJECT: Request approval of a First Amendment to Lease No. L-15202 ("Lease") with Cabouchon Properties, LLC, a California Limited Liability Company, located at Pier 9 to provide a minimum of $100,000.00 in rent credits for Core and Shell Improvements.

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary

Port staff is requesting approval of a First Amendment to the Cabouchon Properties, LLC Lease No. L-15202, ("Cabouchon") to provide for a rent credit for core and shell improvements to Suite 105 located at Pier 9 (see attached location map).

I. BACKGROUND

Caboubon's Lease commenced on December 7, 2012 and will expire on November 30, 2017. Cabouchon had previously occupied Suite 114 in Pier 9 and voluntarily relocated to Suite 105 at Pier 9 in order for Autodesk, a Delaware Corporation, to lease Suite 114 as part of a larger contiguous parcel expansion.

Cabouchon was relocated pursuant to the Section 3.2 Relocation Option of its prior lease that provides for tenant relocation at the Port's option to a reasonably comparable space. Suite 105 has been vacant since 2010. The space was built without benefit of a building permit in the early 1990's and is functionally obsolete. Autodesk agreed to pay $225,000 in tenant improvement costs to renovate the suite. That payment has been made directly to Cabouchon.

Subsequent to the payment and the execution of the Autodesk and Cabouchon Leases, a condition survey was conducted of Suite 105 that revealed several unforeseen

This Print Covers Calendar Item No. 10A

conditions that will result in additional construction costs. The conditions are problems with core and shell elements of the Suite that include both the base building systems and the building shell. For instance, the furnace is obsolete, located in a neighboring tenant's premise, and does not comply with the Energy Efficiency requirements found in Title 24. The ground level restroom is not compliant with the requirements of the American's with Disabilities Act, the windows and one door were deemed noncompliant with the Secretary of the Interior's Standards for the Preservation of Historic Buildings and requires replacement. In general, core and shell improvements for this Suite consist of the building envelope and the base building systems. Tenant improvements in general are alterations made to rental premises in order to customize it for the specific needs of a tenant such as painting, installing partitions, changing the flooring, putting in customized light fixtures and so on. Typically, these improvements increase the value and the marketability of rental space. Core and shell improvement are typically the Landlord's responsibility.

The estimated additional cost to remedy these conditions is $100,000.00. The Port has agreed, pending approval by the Port Commission, to provide a rent credit to pay for the core and shell improvements only. The Port believes that this added investment combined with Autodesk's contribution of $225,000.00 will improve the Premises and directly benefit the Port. It should be noted that Cabouchon agreed to pay for and be out-of-pocket for the additional cost pending approval of the rent credits. Cabouchon is a tenant in good standing.

Cabouchon's Lease has a 5-year term with 58 months remaining. Cabouchon's monthly rent is $5,615.00 which is in-line with the Port Commission approved FY 2012-13 Minimum Monthly Rental Rates for Pier 9 Bulkhead office suites ($2.50 per square foot for office and $1.00 per square foot for office storage). If approved by the Port Commission, the rent credit will be deducted from the monthly rent in months 4-60 of the Lease in the amount of $1,754.38 per month. The Port will receive $3,861.00 in net rent during the same period. Assuming rent credits are given, the net rent paid to the Port over a 57-month period is shown in the table below.

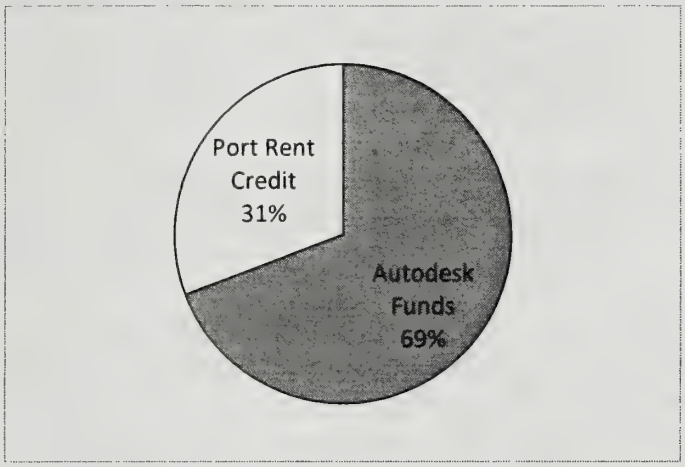
Total Gross Rent	Total Rent Credit	Total Net Rent
$320,0055.00	($100,000.00)	$220,077.00

*The fiscal impact of Autodesk's expansion is summarized in attachment (1) to this report.

**The fiscal impact of Autodesk's expansion including rent credits is summarized in attachment (2) of this report.

II. ANALYSIS

The chart below shows a comparison of the total project cost, Autodesk's contribution, and the proposed credit provided by the Port.



This chart summarizes the type of improvements at the Premises that will be funded by rent credits.

Major Core and Shell improvements (Reimbursed by Credits)	Tenant Improvements Not Funded By Credits
ADA Bathroom Construction	Carpet, Paint, and Wall Coverings
Heating and Ventilation System, Ducting	Cabinets and Fixtures
Exterior Windows and Door	Lighting System
Fire Sprinkler System Repair/Replacement	Kitchen and Appliances
New Electrical Panel	Interior Doors and Windows
Seismic Bracing	Reconfiguration and replacement of Stair Case
	Mezzanine Replacement
	Partition and Walls
	New Floors

III. RECOMMENDATION

Port staff recommends that the Port Commission approve the First Amendment to Lease No. L-15202 with Cabouchon Properties, LLC a Limited Liability Company, as described in this staff report.

Prepared by: Jeffrey A. Bauer, Senior Leasing Manager

For: Susan Reynolds, Director of Real Estate

Attachment 1 – Estimated Fiscal Impact of Autodesk Tenancy
Attachment 2 - Fiscal Impact of Autodesk and Related Credits

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 13-08

WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and

WHEREAS, Pier 9, located at Broadway and The Embarcadero in the City and County of San Francisco, is in the Northeast Waterfront area of the Waterfront Land Use Plan; and

WHEREAS, Cabouchon Properties, LLC a California Limited Liability Company, is a tenant in good standing, previously occupied Suite 114 in Pier 9 and voluntarily relocated to Suite 105 under a new lease No, L-15202 at Pier 9 in order for Autodesk, a Delaware Corporation, to lease Suite 114 as part of a larger contiguous parcel expansion; and

WHEREAS, Autodesk has paid $225,000.00 to Cabouchon for the renovation of Suite 105 to make it reasonably comparable space to Suite 114; and

WHEREAS, Subsequent to the payment and the execution of the Autodesk and Cabouchon Leases, a condition survey was conducted of Suite 105 that revealed several unforeseen conditions that will result in additional construction costs; and

WHEREAS, Port staff believes that these core and shell improvements in the amount of $100,000 combined with Autodesk's contribution of $225,000 are a significant benefit to the Port, resulting in an upgraded office with higher market rent potential; and

WHEREAS, Port staff has negotiated a First Amendment to the Lease that provides a rent credit for core and shell improvements only in the amount of $100,000.00 that may be deducted in months 4-60 of the lease term in the amount of $1,754.38 per month. The Port will receive $3,861.00 per month in net rent during the same period other terms and conditions of the First Amendment are described in the staff report accompanying this resolution; and

WHEREAS, the permitted uses in the Lease are a continuation of existing and related uses and are therefore covered under the General Rule Exclusion pursuant to the California Environmental Quality Act; now, therefore be it

RESOLVED, that the Port Commission approves the First Amendment to Lease No. L-15202 and upon such approval authorizes the Executive Director or her designee to execute said Amendment; and, be it further

RESOLVED, that the Port Commission authorizes the Executive Director or her designee to enter into any additions, amendments or other modifications to the First Amendment that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the City or Port or materially decrease the benefits to the City or Port, and are necessary or advisable to complete the transactions which the First Amendment contemplates and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of the First Amendment, and any such amendments thereto.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 26, 2013.

_____

Secretary

Attachment 1
Estimated Fiscal Impact of Autodesk Tenancy

Pre-Autodesk Tenants	Monthly Rent	Annualized
ARG	$1,000	$12,000
Bundox Compactor	163	1,956
DNA Direct	20,264	243,173
Cabouchon	5,758	69,092
Total	**$27,185**	**$326,221**

Post-Autodesk Tenants	Monthly Rent	Annualized
Cabouchon	$5,600	$67,200
Cabouchon Credit	(754)	(9,048)
Autodesk	55,444	665,328
Autodesk Credit	(25,099)	(301,191)
Total	**$35,191**	**$422,289**

Net Increase	**$8,006**	**$96,068**

Assumptions:

- Data for Pre-Autodesk tenants reflects the last rent amount for each of the tenants impacted by the Autodesk tenancy (from the Oct 2012 rent roll).
- Data for Post-Autodesk tenants reflects the rent and credit amounts, as prescribed in the leases, effective in August of 2013. After this date, the rent and credit amounts stabilize and remain relatively constant (with inflationary adjustments on the rent only, no the credit) throughout the term of the leases. Prior to August of 2013, rent and credit amounts fluctuate due to the staggered effective dates of the Autodesk 2nd amendment, the new Cabouchon lease, and the proposed Cabouchon credit.
- Annualized values are simply 12 times the monthly rent, and are not actual revenues received by a particular tenant in a particular year.

Attachment 2

Fiscal Impact of Autodesk and Related Credits

Table 1: Revenue By Fiscal Year Without Autodesk

Fiscal Year	ARG Storage Container	Waterfront Compactor	Cabouchon (or successor)	DNA Direct (or successor)	Total
FY 2013-14	12,360	1,520	71,690	248,644	334,215
FY 2014-15	12,731	1,566	73,841	149,235	237,373
FY 2015-16	13,113	1,613	56,617	261,203	332,546
FY 2016-17	13,506	1,661	58,316	269,703	343,186
Total	**51,710**	**6,360**	**260,465**	**928,785**	**1,247,320**

Table 2: Revenue By Fiscal Year With Autodesk (as amended) and Related Credits

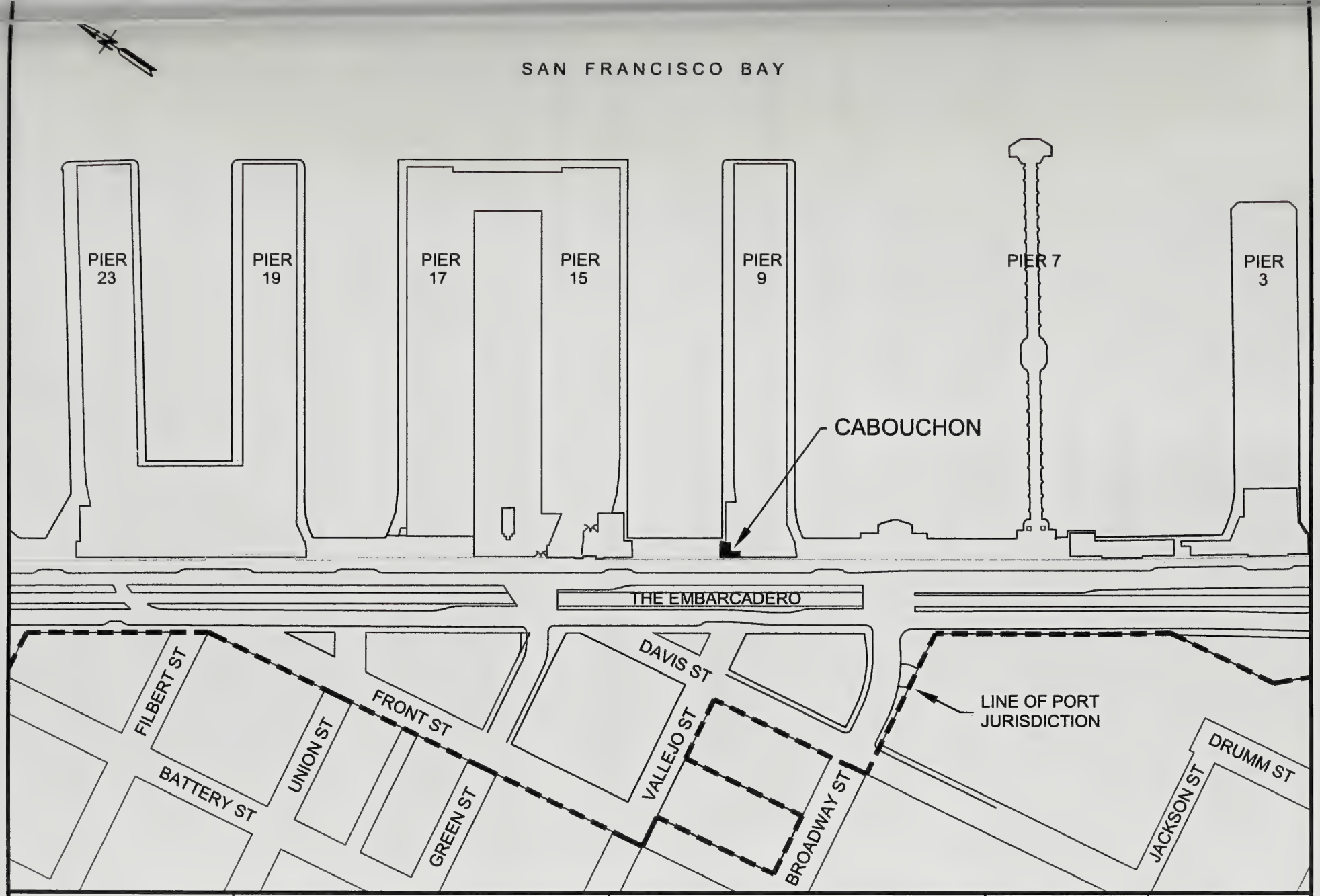
Fiscal Year	Autodesk	Autodesk Credit	Cabouchon	Cabouchon Credit	Total
FY 2013-14	675,308	(301,191)	68,376	(9,048)	433,445
FY 2014-15	695,567	(301,191)	70,427	(9,048)	455,756
FY 2015-16	716,434	(301,191)	72,540	(9,048)	478,736
FY 2016-17	737,927	(301,191)	74,716	(9,048)	502,405
Total	**2,825,237**	**(1,204,763)**	**286,060**	**(36,192)**	**1,870,341**

Table 3: Net Increase in Port Income from Autodesk 2nd Amendment

Fiscal Year	Port Income Without Autodesk (Table 1)	Port Income With Autodesk (Table 2)	Increase (Decrease)
FY 2013-14	334,215	433,445	99,231
FY 2014-15	237,373	455,756	218,383
FY 2015-16	332,546	478,736	146,190
FY 2016-17	343,186	502,405	159,218
Total	**1,247,320**	**1,870,341**	**623,022**

Assumptions:

- Without Autodesk, Cabouchon and DNA Direct leases would have expired in March of 2016 and August of 2014, respectively. Table 1 above assumes, that those tenants would have been replaced, after a vacancy/rent free period of 6 months, with tenants paying the same rent rate as their predecessors.
- FY 2013-14 through FY 2016-17 was chosen as the analysis window because those 4 fiscal years are the only full fiscal years where both the Autodesk lease (as amended by the 2nd amendment) and the new Cabouchon lease would be effective (the new Cabouchon lease expires in November of 2017). After that, the net increase in income to the Port is likely to increase because either (a) Cabouchon's rent credit would expire, such that Cabouchon's rent would increase should they choose to stay, or (b) a successor tenant would not enjoy the benefit of a rent credit.



SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

PIER 9

DRAWN BY: ECC	DATE: FEB 12, 2013
CHECKED BY: J. BAUER	SCALE: NONE
PLACE CODE NO. 1090–000	SHEET NO. OF SHEETS

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PORT OF SAN FRANCISCO

MEMORANDUM

February 22, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Leslie Katz
Hon. Willie Adams

FROM: Monique Moyer
Executive Director MMoyer

SUBJECT: Informational presentation on the Term Sheet between the Port and Seawall Lot 337 Associates, LLC for the mixed-use development of Seawall Lot 337 and Pier 48 bounded by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay and adjacent to AT&T Park

DIRECTOR'S RECOMMENDATION: Information Only - No Action Required

EXECUTIVE SUMMARY

Since executing an Exclusive Negotiation Agreement ("ENA") in September 2010 for the mixed use development of Seawall Lot (SWL) 337 and the adjacent Pier 48 (together the "Site", shown on Exhibit A), Seawall Lot 337 Associates, LLC ("Developer"), Port and City staff have negotiated a non-binding term sheet (the "Term Sheet") with the proposed financial terms for the lease and development of the Site (the "Project") discussed in this memorandum, which terms are set forth in the Term Sheet attached to this staff report as Exhibit B.

The SWL 337 and Pier 48 Term Sheet described in this staff report represents a different type of development agreement than the Port has previously contemplated. The proposed project envisions a development footprint of 3.6 million sq. ft. of mixed uses over eleven (11) development parcels on SWL 337 that will require new streets, utilities and related infrastructure phased over several market cycles. In order to accommodate this phasing, the Term Sheet contemplates phased delivery of infrastructure which will be publicly-owned and paid for with unique public financing tools and an approach to valuing development parcels that relies on appraisals to determine fair market value as each parcel is developed.

THIS PRINT COVERS CALENDAR ITEM NO. 11A

BACKGROUND

In October 2007, the San Francisco Port Commission initiated a two-phase developer solicitation process for SWL 337, a 16 acre Port waterfront site located along the south side of China Basin Channel, generally bounded by Third and Mission Rock Streets, and Terry Francois Boulevard, with an option to include Pier 48, a 212,500 square foot warehouse complex adjacent to SWL 337. Currently SWL 337 is used as a surface parking lot under lease to China Basin Ballpark Company LLC (CBBC), a San Francisco Giants affiliate. As for Pier 48, a portion is leased to CBBC and a portion is leased to the City Department of Elections. Pier 48 uses include, among other things, ballpark overflow parking in the northern shed and storage for the Department of Elections in the southern shed. All of these current tenants are on short term leases in anticipation of development.

On May 12, 2009, the Port Commission awarded the SWL 337 development opportunity to Developer[1] and authorized exclusive negotiations for a mixed used development project at SWL 337 and Pier 48. As agreed, the ENA outlines a 2 phase approach to Developer's pre-entitlement efforts. Phase 1 allocates 24 – 30 months for the parties to reach agreement on a Project plan and financial terms culminating in Term Sheet endorsement by the Port and the Board of Supervisors. Phase 2 allocates 3 years to complete the entitlement and permitting process for the Project.

In Fall 2009, the parties concluded negotiations on the Exclusive Negotiation Agreement (the "ENA") to govern their respective rights and obligations during the Project planning and pre-entitlement period. Simultaneously, Developer informed the Port of changes to its ownership structure resulting from unforeseen impacts of the economic recession. On March 15, 2012, Developer submitted a revised proposal describing a mixed-use program that balances residential, office, retail, exhibition and parking uses distributed over a network of newly constructed fine-grained city blocks. The combination of uses will evolve as this Project moves forward to meet market demands and reflect community and regulatory concerns.

On October 5, 2012, the Developer again notified the Port that one of its two members, TCC Lot 337 Investors, LLC ("Cordish") had withdrawn from the Developer on September 15, 2012, in accordance with the terms of the Developer's operating agreement and that it remained in discussions with Cordish concerning a possible future role in the Project. By letter dated January 17, 2013, the Developer provided the Port formal notice confirming that pursuant to Section 2.3.1.2(C) of its operating agreement, Cordish withdrew from the Developer on September 15, 2012.

On October 9, 2012, the Port Commission approved amending the ENA to extend Phase 1 from September 15, 2012 to March 15, 2013 to provide additional time to negotiate and incorporate financing tools into the Project term sheet. The amended ENA includes an additional Performance Benchmark requiring Developer, at Port's sole discretion, to confirm its financial capacity to entitle the Project and build early

[1] At the time of award, Developer consisted of (1) the San Francisco Giants, (2) Wilson Meany Sullivan; (3) Kenwood Investments Inc., LLC, (4) the Cordish Companies, (5) Stockbridge Capital and (6) Farallon Capital Management, LLC.

infrastructure. See Developer Financial Capacity, below, and Exhibit C, attached hereto.

SB 815

Under SB 815, adopted by the legislature in October 2007, the Port is authorized to lease all or a portion of SWL 337, for non-trust purposes, free from the use requirements of the public trust and the Burton Act. The lease term is not to exceed 75 years and not to extend later than January 1, 2094. Revenues generated from the lease in excess of the base year revenues will be utilized in support of the preservation of the Port's historic piers and other historic structures, the construction and maintenance of waterfront plazas and open space, and the remediation of the Port's environmental liabilities.

SWL 337 will otherwise continue to be held by the Port subject to the terms and conditions of the public trust, the Burton Act Trust, and the Burton Act Transfer Agreement. SB 815 represents a unique opportunity for the Port to realize value from its property and to address its own capital program needs. Staff has worked accordingly to structure a transaction that maximizes the potential benefits from SWL 337 while managing risks appropriately.

DEVELOPER EXPERIENCE

As noted above, Developer is a single-purpose limited liability company whose sole member, as of September 15, 2012, is Giants Development Services LLC (GDS), a wholly-owned subsidiary of San Francisco Baseball Associates, LLC (SFBA). Port staff has reviewed the development expertise of Developer as currently composed and finds that its staff has the skill and experience to execute the mixed-use development contemplated under the Project, including expertise in the unique real estate market in the vicinity of the Site. While recent comment has focused on the departure of prior members of Developer it should be noted that key staff expertise from those departing members has been retained by Developer in its current form. Port staff further notes that this expertise combined with the relationship between Developer and the San Francisco Giants buttress a key objective of the proposed transaction: to create a new neighborhood on the waterfront that enhances and complements the success of AT&T Park across China Basin Channel. See Exhibit C for further background on Developer experience and financial capacity.

DEVELOPER FINANCIAL CAPACITY

Port financial staff have reviewed and confirmed the Developer's financial capacity in amounts sufficient to satisfy the obligations under the ENA. SFBA owns the San Francisco Giants Major League Baseball franchise. As mentioned above, GDS is the wholly-owned subsidiary of SFBA formed for development opportunities such as the proposed SWL 337 development among other projects. In January 2013 Port finance staff reviewed the financial statements and other financial materials of SFBA to form an opinion regarding its financial ability to provide the requisite $15 - $20 million in equity financing over the next 2 years as the costs estimated by both Developer and Port to complete the entitlement process for the Project. In the opinion of Port Finance staff,

SFBA has the financial capacity to provide up to $20 million to fund the entitlement phase of the SWL 337 development project.

Port staff has confirmed SFBA's written agreement to fund GDS' obligation under the Developer's operating agreement through Project entitlement. Staff has also confirmed that GDS' budget for these costs has been approved by SFBA in the amount of approximately $14.7 million. The Developer has also agreed to an ongoing process by which the Port will oversee the predevelopment expenditure budget and receive ongoing updates as to Developer's financial capability and development expertise to perform its obligations under the ENA. The ENA will be revised to provide for ongoing Port oversight of predevelopment expenditure and any changes in Developer technical staff capacity. The ENA amendment will also include appropriate review and approval rights for the admission of any new member to the Developer entity that would result in such new member or partner being accountable for any material portion of the Developer's responsibility as to funding or devoting appropriate skill and expertise to the development of the project.

Public Outreach

The Port, City and the Developer have visited the following community groups with detailed Project briefings:

Advisory/Regulatory Bodies

- Maritime Commerce Advisory Committee
- Central Waterfront Advisory Group
- Mission Bay Community Advisory Group
- Southeast Waterfront Advisory Council

- Bay Conservation and Development Commission (staff)
- State Lands Commission (staff)

City Groups
- Chamber of Commerce
- Bayview Builders
- Rincon/South Beach Neighborhood Group
- Potrero Boosters
- SF Housing Action Coalition Endorsement Committee
- SF Bike Coalition (informal)
- SPUR (informal)
- San Francisco Parks Alliance
- Individual neighbors and business owners
- SPUR formal lunchtime session as part of Port portfolio series
- SPUR Project Review Committee

In addition to these presentations and meetings, the Project team held a well-attended public design workshop and multiple open house meetings with members of the community to discuss proposed land use including review of several bulk and site massing alternatives. This outreach effort is a productive, ongoing process that has helped shape the Project over time.

DEAL STRUCTURE

Overview

The term sheet discussions between the Port and Developer have yielded a financial structure where the Developer is responsible for funding entitlement and infrastructure (generally, underground utilities, site preparation, streets and sidewalks, parks and open spaces). The Developer is reimbursed by Port for its entitlement and infrastructure costs from a combination of payments received in connection with the execution of a parcel lease and public financing. In return, Developer receives a market-based return on its investment in entitlement and infrastructure for the Site and a share in ongoing economic benefits from developed parcels. The Port receives fair market value for its improved parcels through ground rent under long term leases and a share of increases in land value through various forms of participation. The overall financial structure is discussed below.

Parcelization Strategy

The parties' fundamental strategy for the Project is to treat the development plan as a series of individual development parcel leases. Each parcel lease will be entered into by the Port in consideration for a set of up-front and ongoing payments reflective of fair market value for the parcel. The term sheet is structured to provide Developer with the option of executing each parcel lease as the vertical developer, subject to certain exceptions. In those exceptional circumstances, or in instances when the Developer declines its option for a parcel lease, the Port will be able to select a tenant to develop a parcel through a competitive process for these parcel leases. In all instances the

payments under the lease will be verified as fair market value through an appraisal process prior to lease execution.

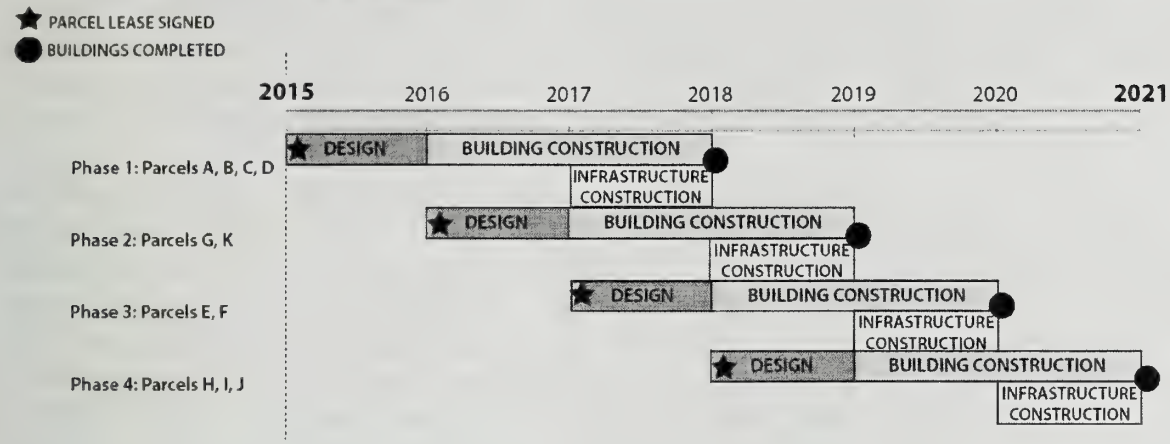
The term sheet also contemplates the possibility that the Port may seek approvals to remove one or more parcels from the public trust. In such a situation the parties may agree to seek the sale of the full fee title to such parcels instead of a 75-year ground lease. The term sheet details that Developer will have the first option to purchase such parcel(s), subject to potential exceptions, but only after payment of an appropriate premium related to other market competitive transactions above the appraised value.

Phased Development and Related Infrastructure
Each parcel will have its own infrastructure needs in order to function after buildout, so the term sheet calls for the Developer and Port to meet and agree at each stage how best to bundle 2-4 parcel leases and their related infrastructure into a development "phase" when market conditions support the proposed level of investment. The term sheet aligns the parties' interests in moving quickly to complete a phase when the fair market value of the individual parcels are sufficient to yield lease payments consisting of (i) a reimbursement to the Developer for its investment in entitlement and infrastructure and (ii) ongoing monthly rent payments to the Port. Upon completion of each phase the process starts anew with the next bundle of 2-4 parcel leases and their associated infrastructure.

Due to its size, buildout of the Site is projected to extend beyond the length of a single typical market cycle. The parties agree that this parcelization and phased development strategy combined with the infrastructure financing plan and flexible zoning approach described below provide the greatest opportunity for the efficient and successful buildout of the Site. In addition, parcel transfers will be timed to lock in the benefits of a stable or growing real estate market through base rent, while proceeds from the sale of development rights and ongoing Port participation in lease revenues and future sales provide the Port with a cushion against a weakened market and a path to recover lost value if a given parcel sale(s) takes place in a weaker market.

For each phase, upon execution of the vertical lease(s) for parcels included in the phase, the individual parcel tenant (which may or may not be affiliated with Developer) will commence construction. Developer will commence construction of the public improvements required for that phase after parcel construction has commenced but before it is completed. This timing will be managed in a manner designed to allow for the completion of such infrastructure "just in time" to support the occupancy of the completed building but not too far in advance of the CFD special tax payments and the collection of tax increment that together are intended to reimburse Developer for its investment. This "just in time" scheduling concept is graphically represented below:

ABSORPTION/CONSTRUCTION PHASE



Such public improvements include the installation of streets, sidewalks, parks / open space, public access areas, water, sewer and electrical utilities, and other infrastructure referred to herein as "horizontal development". Developer will bear the cost of the horizontal development, which is currently estimated to be in the range of $126 million for the entirety of SWL 337 as shown in the table below. In accordance with the Project plan of finance the amounts reflected in the table include the cost of preparing and stabilizing the land over which public infrastructure is built, but do not include the costs of piles and supports under the parcels to be privately-leased for above ground development, referred to herein as "vertical development". This table represents the currently anticipated timing of each Project Area Infrastructure Investment. Timing is subject to change.

PHASE	COMPONENT	UNINFLATED COSTS	INFLATED COSTS (3%)	START YEAR
Entitlements	Entitlements	$20,000,000	$20,000,000	2012
Project Area 1	Parcels A, B & C	$18,390,613	$21,523,162	2017
Project Area 1a	Parcel D Garage	$ 5,216,622	$6,164,578	2017
Project Area 2	Parcels G & K	$31,832,900	$38,227,462	2018
Project Area 3	Parcels E & F	$17,362,012	$21,364,776	2019
Project Area 4	Parcels H, I & J	$14,687,489	$18,441,259	2020
Total		$107,489,636	$125,721,237	

Project Area 4 includes projected costs for Pier 48 of $22,050,000 ($28,428,311 inflated to 2021/2022), which will be paid for through a combination of Pier 48 tenant-funded capital improvements and IFD proceeds from Pier 48 and SWL 337.

Developer Responsibilities and Return
In order to realize the value of the Port's asset, the Port has secured Developer as a private partner to 1) provide leadership in design and entitlement of the Site; 2) provide capital for pre-entitlement expenditures; and 3) provide the initial investment for infrastructure design and construction.

As reflected in the ENA, the Developer's responsibility is to procure all Project entitlements and pay related costs, as well as to construct all horizontal infrastructure as described below. The Developer will be reimbursed for its expenditures plus an agreed upon market-based rate of return as more fully described below. As a general matter the Developer's return is calculated as the greater of (i) the equivalent of 20% of Developer's eligible costs compounded annually or (ii) Developer's equity multiplied by a factor of 1.5. These two standards for Developer's return measure the rate of return and the total amount of return dollars to Developer and have been verified by staff as representative of the current financing market relative to the unique risks of this Site[2].

In addition, the parties have negotiated a right for the Developer to participate in 20% of the total Port Site-wide rent amounts above $4.5 million for the first 45 years of the Project. This participation right is intended to align the parties' interests in expeditiously securing the full completion of the Site, which ultimately is the means for the Port to maximize its rent revenues from the Project. Additional risk-sharing provisions relating to the Developer's return are described in "Description of Project Stages" below.

DESCRIPTION OF PROJECT STAGES

The structure described generally above creates a framework for the overall transaction. In addition, the parties' negotiations have identified additional considerations and mechanisms at each stage of the Project, from predevelopment through the completion of Phase 4, that are meant to align incentives and share risks where appropriate. These considerations and provisions are described in more detail below.

Entitlement
The Developer will pay all entitlement costs including planning, environmental review, and land use approvals. The Developer's investment in such eligible costs, plus its return as described above, will be repaid from the payments associated with each parcel lease. After entitlement and execution of a DDA, the Developer will enter into an interim master lease for SWL 337, with rent terms based on the current parking lease between the Port and China Basin Ballpark Company, LLC and base rent allocated among development parcels. The interim lease will provide that as parking activities are removed from development parcels that are leased and prepared for construction the interim rent terms will be reduced pro rata in reflection of the decrease in parking spaces.

[2] See also discussion below titled, "Development Risk".

Phase 1
Phase 1 will commence upon execution of a Disposition and Development Agreement at conclusion of the entitlement process. The Port will sell development rights to the Developer concurrent with Project approvals through prepaid 75-year leases (or, in circumstances where the Port has been successful in lifting trust restrictions on such parcel(s), fee interests) in up to two parcels at fair market value. The Developer may choose to develop these parcels or sell these parcel leases to a qualified third party acceptable to the Port. Net proceeds from these sales will be applied to reimburse Developer for predevelopment costs and pay accrued return, if any. In the event of a market downturn where fair market value of Phase 1 parcels is not sufficient to reimburse Developer's predevelopment costs and pay all accrued return, Developer has agreed to risk-sharing measures on its outstanding equity.

The Developer will finance all costs to install infrastructure and public benefits for Phase 1 – utilities, streets, sidewalks, etc. – except to the extent that the Port or the City has an alternative source of public funds (employed at such party's sole option).

To reimburse such Developer expenditures plus accrued return, the term sheet calls for the Port (at its discretion) to work with the City to issue Mello-Roos Community Facilities District ("CFD") bonds. These CFD bond proceeds will be used to reimburse Developer's eligible infrastructure costs for Phase 1 and pay accrued return to the extent it is legally payable from such source. The bonds will be secured by a pledge of special taxes and the City will levy such special taxes as needed to pay debt service. As Phase 1 parcels are constructed and placed on the City's tax roll, the related tax increment will supplement the special taxes in servicing the CFD bonds.

Phases 2 - 4
Each subsequent phase commences at the point in time that the Port and the Developer agree that market conditions will support the next phase of development. The Developer and the Port will enter into 75-year leases with vertical developers for parcels after completing the appraisal process described above. The Port and Developer will confer and agree on a plan of finance for the current phase, which will include a projection of the costs and timing of building needed infrastructure. The total plan of finance will be based on the estimate of the amount needed to pay off (i) the Developer's outstanding prior phase costs, if any, (ii) the current phase costs plus (iii) accrued returns. Such anticipated costs will then be compared to CFD bond proceeds expected to be available to reimburse such costs. If anticipated costs are greater than anticipated CFD bond proceeds, revenues from each parcel lease will first be applied to retire Developer's outstanding costs and accrued return. Any such payments to Developer would necessarily decrease the amount of the ongoing rental stream to the parties, so it will be in the Port's financial interest to maximize the amounts available from the public finance strategy and minimize the need to fund Developer reimbursements through the parcel leases.

The Port will work with the City to issue CFD bonds in amounts at the time of Port's choosing. The current Project underwriting contemplates that the CFD bonds would be issued concurrently with the Port's issuance of certificates of occupancy for the buildings on the subject parcel. At Port and City's election, these bonds could be issued

earlier if the benefits of increased property values outweigh issuance risks. CFD bond proceeds will reimburse Developer's infrastructure costs and, to the extent eligible, pay return. As tax increment flow is stabilized, Port will substitute net available tax increment flowing from the Site as an additional source to pay CFD debt. Any such substitution will replace a like amount of parcel CFD taxes levied to make future debt payments.

If IFD proceeds are available in Phases 3-4, consistent with state law, the Term Sheet provides for the use of IFD proceeds to fund the costs of piles to support foundations for vertical development at SWL 337 (projected pile depths are in the range of 250-290 feet), subject to corresponding increases to base rent for vertical parcels that receive IFD proceeds for this purpose.

The Developer's base rent obligation under the master interim lease will reduce proportionately as parking spaces are removed from the master lease through the execution of new development parcel leases and development of buildings. At the same time, rental revenues from those development parcels will begin to flow and will replace (and eventually exceed) the prior parking revenues.

The overall Project will proceed as market conditions allow, though both parties are incentivized to complete full buildout as quickly as possible. The term sheet and associated financial analysis currently project completion of all four Phases by 2022.

LAND USE PROGRAM SUMMARY

Developer will create a new mixed-use neighborhood, linking Mission Bay to the urban fabric of the City. Though subject to flexible zoning that could change the uses or intensities of various parcels, for purposes of analysis the Site is projected to include the land use program shown below. The parties anticipate that the Project will continue to evolve through modifications made through the CEQA, the public review processes and, with regard to the final mix of commercial and residential uses, to market demands.

Parcel	Land Use	Program Area [Gross Sq. Ft.]							Maximum Height [feet]	Total GSF Building
		Commercial	Residential	Residential [Units]	Retail	Parking	Parking [Spaces]	Pier Use		
A	Residential	0	296,000	304	25,000	80,500	163		320	**401,500**
B	Office	230,000	0	0	25,000	60,000	128		160	**315,000**
C	Office	260,000	0	0	20,000	60,000	128		280	**340,000**
D	Parking/Office	50,000	0	0	7,500	850,000	2,297		100	**907,500**
E	Office	140,000	0	0	10,000	0	0		120	**150,000**
F	Residential	0	344,000	353	12,400	0	0		380	**356,400**
G	Office	175,000	0	0	17,500	47,000	100		160	**239,500**
H	Office	243,000	0	0	12,000	0	0		160	**255,000**
I	Office	185,000	0	0	12,000	0	0		190	**197,000**
J	Residential	0	180,000	185	10,000	0	0		190	**190,000**
K	Residential	0	100,000	103	10,000	0	0		160	**110,000**
Pier 48	Mixed							212,500	38	**212,500**
TOTAL		**1,283,000**	**920,000**	**944**	**161,400**	**1,097,500**	**2,816**	**212,500**		**3,674,400**

Developer proposes dividing SWL 337 into 11 buildable parcels (Parcels A – K) 10 of which would be developed as a mix of commercial/office, retail, and residential uses.

The 11th parcel would hold structured parking to serve new development and other nearby uses, including games and other events at AT&T Ballpark. As discussed below, Pier 48 would be leased to Anchor Brewing Company for the expansion of their production capacity (which would be the 12th parcel). As noted in the description of Phase 1 above, Developer will obtain rights to the first two parcels (Parcels A & B) as part of the reimbursement for its entitlement period equity investment and associated return. Developer will have an option to develop each of the 9 remaining development parcels and Pier 48, subject to exceptions specified in the term sheet.

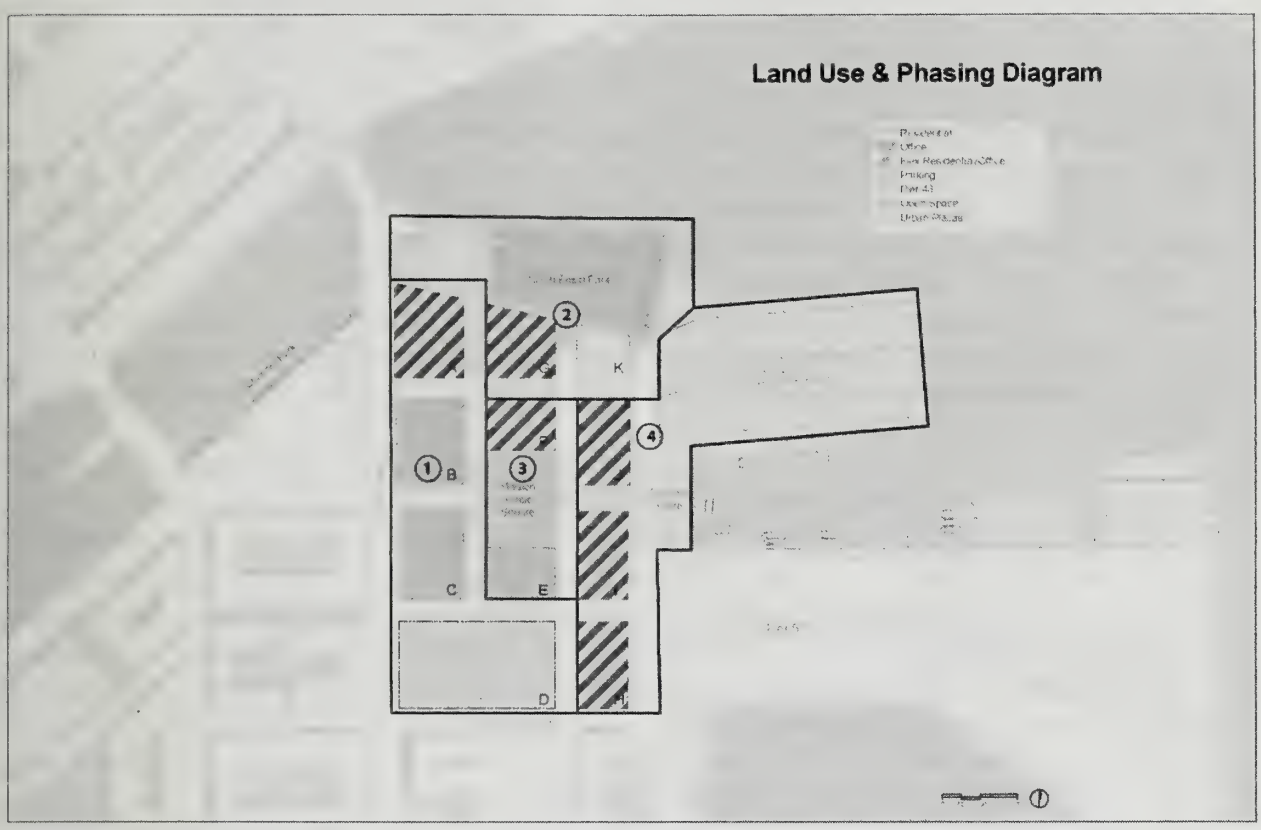
Open Spaces, Parks and Recreation
Developer will create major new open spaces connecting the Site with surrounding neighborhoods and the waterfront, including:

- **China Basin Park**, will be expanded into a 5-acre regional waterfront park located on China Basin across from AT&T Park, with a great lawn open space and special event area, a waterfront café with outdoor seating, a junior baseball field, gardens and picnic areas, and a promenade connection to the marginal wharf between Piers 48 and 50 (see Channel Plaza description below).

- **The Square**, a 1.3 acre park located at the heart of Site. The Square will include a large multi-use lawn, plaza, and café pavilion. The Square will be framed by a mix of residential and commercial uses, including ground-floor retail and a pedestrian connection to Channel Plaza.

- **Channel Plaza**, subject to Port Commission approval to add to the Site, the marginal wharf between Piers 48 and 50 will be converted to a hardscaped one-half acre plaza set upon an active maritime wharf with views of working vessels and other maritime uses.

The development of these parks and open spaces will be distributed among the Project phases to assure completion is concurrent with the completion of adjacent vertical development. Under the illustrative phasing plan shown below, China Basin Park would be included in the second phase and The Square would be provided in the third phase.



Parks and open spaces will be owned by and remain under the jurisdiction of the Port, and will be programmed by Developer subject to Port approval and conditions of the San Francisco Bay Conservation and Development Commission ("BCDC") major permit applicable to the Site. Maintenance of the parks and open spaces is proposed to be funded by Mello-Roos special taxes imposed on privately-owned and occupied land and buildings on the Site.

Parking Garage

The parking garage will be developed on Parcel D as part of an early phase of the Project and is proposed to provide approximately 2,297 spaces for use by the entire development and for ballpark, event, and other public parking. The parties have initiated discussions with the San Francisco Municipal Transportation Agency ("SFMTA") to explore the feasibility of SFMTA financing and operating the parking structure. Should SFMTA conclude that the parking structure is not feasible as an SFMTA project, the parties will continue to explore other sources of financing and other measures needed for the garage, including Developer investment.

Affordable Housing

New rental housing built for the Project will meet City inclusionary housing requirements under Planning Code §§ 415.1-415.11 for on-site inclusionary housing for 15% of the units at 55% of area median income as determined by the U.S. Department of Housing and Urban Development for the San Francisco area. Developer will be required to deliver affordable housing in a balanced manner throughout the phasing of the Project.

Pier 48
Currently the Port and Developer are in negotiations with Anchor Brewing Company to expand its production capacity through a lease for the entirety of Pier 48. The proposed lease terms are consistent with the Port's parameter rent for similar shed structures, subject to possible offset by rent credits for qualifying capital improvement costs that extend the life of the facility. In light of current projections of sea level rise, the maximum initial term would be 30 years. The current financial model anticipates that Pier 48 would be upgraded as part of Phase 4; however the parties agree that such occupancy could be accelerated depending on the specifics of the proposal. The Port's review of any tenant or use will consider its preservation of maritime uses and historic features of Pier 48 as a necessary component to its thoughtful rehabilitation.

Transportation Demand Management Plan
Developer will implement a Transportation Demand Management Plan that provides a comprehensive strategy to manage the transportation demands created by the Project. The mixed-use nature of the Project's land use program, its rich transit options, and proximity to resources and services along San Francisco's waterfront and in downtown areas give rise to an overall strategy of reducing single-occupancy vehicle trips. The transportation strategy at the Project is based on reducing vehicle miles traveled by fostering multiple modes of sustainable transportation, emphasizing pedestrian, bicycle, and public transit options. This strategy will interact with and be informed by the ongoing waterfront transportation assessment currently being led by SFMTA.

Jobs and Equal Opportunity Program
The Developer and the Port anticipate that the build-out of the Project will create thousands of construction and permanent jobs, and that the planning, design, and construction work will provide substantial contracting opportunities for local contractors and professional service firms as well as countless businesses, employers, and organizations. Developer will implement a Jobs and Equal Opportunity Program designed to assure that a portion of the jobs and contracting opportunities generated by the Project be directed, to the extent possible (based on the type of work required and consistent with collective bargaining agreements) to local, small, and economically disadvantaged companies and individuals.

Site Zoning
Developer and the Port will establish the development parameters for the Project through a Special Use District ("SUD"), which will be incorporated into the City's zoning code after environmental review is complete and the Project has been approved by appropriate Port Commission, Planning Commission, Board of Supervisors, and other regulatory actions. SWL 337 is currently zoned MB-OS (Mission Bay Open Space), and Pier 48 is zoned M-2 (Heavy Industrial).

Flexible Land Use
A key element of the design proposal for the Project is a flexibility to respond to future market demands while still upholding the objective of creating an authentic mix of uses. In the SUD legislation certain parcels will be "fixed" as residential, certain will be commercial, and others will allow some later determination as to product type. Given this flexibility the Developer has studied various ranges for building heights. Heights of

buildings, reflecting the mixed-use nature of their uses, will be diverse. Up to two tall slender signature residential towers are anticipated. The SUD will establish height limits ranging from 90 feet up to 380 feet, allowed density expressed as permissible floor area ratio ("FAR") limits, bulk limits, and other controls on development. In cooperation with the Planning Department, the Port and Developer are currently studying a range of possible height schemes. Community design engagement is ongoing and will further assist in defining the heights, which will likely be represented in the entitlement phase of the Project as ranges for uses and parcels.

Retail Programming and Ground Level Operations
While zoning will allow a certain amount of flexibility, Developer will retain control over ground floor design, tenant mix, and park operations and maintenance. Comprehensive planning and programming of ground floor spaces will address both the design and the nature of the Project's retail uses, defining the public realm and neighborhood identity. A dynamic range of restaurants, cafés, wine bars, boutique stores, grocery stores, bookstores, and other shops will only be possible through careful programming of the entire Site. In consultation with the Port and community, Developer will create a blueprint for locations and tenant types for each vertical development. This comprehensive programming will address not only types of stores, but also the appropriate mix of local, regional, and national retailers. Minimum threshold requirements for local and regional operators will reduce the threat of homogeneity that otherwise might adversely affect the Project's retail success. This building-to-building variety will strengthen the pedestrian environment and establish an authentic, sustainable neighborhood for San Franciscans to enjoy.

Sustainability
Developer will implement a Sustainability Plan that will provide a comprehensive strategy to achieve the Project goal of becoming a model of sustainability by exhibiting the concepts and practices of sustainable community development throughout the development process. Developer will collaborate with the City and the Port, specifically, the Department of the Environment, the Planning Department, and the Port Planning Division, to develop the Sustainability Plan.

Developer and the City will develop an integrated plan that identifies measurable goals, standards, and performance metrics. This Sustainability Plan will be included in the DDA. Multiple sustainable Site strategies will be considered from the outset of horizontal development to enable vertical development design proposals to exceed compliance with Port Building Code requirements and achieve Project goals for integrated sustainable design and a low carbon community.

The Project has been identified by City Planning as a Type 1 Eco-District which works with the opportunities horizontal infrastructure development can provide to optimize Eco-District goals. As a Type 1 Eco-District, Port and City staff are committed to working with the Developer to help the City meet its environmental goals through horizontal infrastructure and vertical development, as identified in the Term Sheet.

Statutory, Regulatory and Plan Amendments

BCDC
The proposed Project will require approvals by state bodies, including amending the Bay Area Seaport Plan sponsored by BCDC and the San Francisco Bay Area Metropolitan Transportation Commission, which designates Pier 48 as a future site for neobulk cargo shipping and the eastern six acres of SWL 337 adjacent to Pier 48 and Pier 50 as a "Port priority" area to provide backland area for potential cargo operations. Amendments to the Seaport Plan may trigger a need to amend BCDC's San Francisco Waterfront Special Area Plan. In addition, all development within 100 feet of the shoreline will be subject to BCDC approval.

State Lands Commission
The Port must obtain the State Lands Commission's ("State Lands") prior approval of (a) the conclusions of a Port study on the retention of trust uses (including public parks and walkways, restaurants, hotels, maritime training, sales, and rentals, and waterfront visitor-serving retail services) at SWL 337, (b) the location of trust uses at SWL 337 and Pier 48, and (c) the transportation needs of the ballpark, and trust uses on nearby Port property.

State Lands must find that all nontrust leases are executed at fair market value, consistent with the trust (other than land use restrictions), and otherwise in the best interests of the State. In addition, staff will work with State Lands to obtain legislation for a technical amendment to SB 815 to add as eligible an approximately 20 foot wide strip along the southern edge of SWL 337. This area currently does not have relief from the trust use restrictions in SB 815. To the extent necessary and after further consultation with staff of the State Lands and Developer, the Port may seek other technical amendments to the Burton Act and other state legislation.

FINANCIAL DEAL TERMS

The key financial provisions of the Term Sheet are as follows:

Section and Title	Basic Terms and Conditions
1. Parties	Port and Seawall Lot 337 Associates, LLC.
2. Site Description	Seawall Lot 337, an approximately 16-acre parcel located south of Mission Creek/China Basin Channel, bordered by Third Street on the west, Mission Rock Street on the south, and Terry Francois Boulevard on the east; Pier 48, a 212,500 square-foot facility, with two main pier sheds.
3. Project Description	Mission Rock will create a new mixed-use neighborhood, linking Mission Bay to the urban fabric of the City as described in the Land Use Summary section above.
4. Transaction Documents	The parties anticipate the following primary Transaction Documents: • Disposition and Development Agreement between the Port and Developer (the

	"DDA") for horizontal and vertical development of the Site. • Master Ground Lease ("Master Lease"): the Port and Developer will enter into a new ground lease covering all development parcels at SWL 337 except the two lead parcels as described below. Rent and other key terms will be generally consistent with those in the existing parking lease with a term ending after final parcel development. • Form of Parcel Ground Lease: The form of Parcel Ground Lease to be used for development parcels at SWL 337 will be attached as an exhibit to the DDA. • Pier 48 Lease(s) between the user(s) identified by Developer and the Port as further described below.
5. Phasing	The parties anticipate that the Project Site will be developed in four Phases. • Each Phase will consist of one or more development parcels and associated areas for streets and open spaces. • Public benefits, including development of parks and the Parking Structure, will be distributed among the Phases, assuring that these benefits are completed concurrent with the completion of vertical development and associated infrastructure of each Phase.
6. Statutory, Regulatory, and Plan Amendments	The Project will require approvals by State Bodies, including Bay Conservation and Development Commission ("BCDC") and State Lands Commission. To the extent necessary and after consultation with staff of the State Lands and Developer, the Port may seek technical amendments to the Burton Act and other state legislation.
7. Zoning	• SWL 337 is currently zoned MB-OS, and Pier 48 is zoned M-2. Developer will seek approval of a new Special Use District ("SUD") for the Mission Rock area. The SUD will, among other things, establish new height and bulk limits for the Site. • The Waterfront Land Use Plan will be amended to incorporate Development Controls for Mission Rock and will incorporate SUD limitations and other development requirements, such as the role of the Waterfront Design Advisory Committee in the design review process.
8. Base Rent under Master Lease and Parcel Ground Leases	Base Rent under Master Lease: The rent structure under the interim master lease will be equivalent to the existing parking lot lease with China Basin Ballpark Company, LLC: $2.4 million base rent and percentage rent of 66% of gross revenues after allowed expenses. As phased development of the site occurs over time parcel-by-parcel, the master lease will reduce in size and base rent will be reduced on a pro rata basis as the Port enters into each Parcel Ground Lease. Base Rent under Parcel Ground Leases: Based on the program described in the Term Sheet, the Port has established a minimum of $3.5 million (the "Reserve Rent") in annual rent in the aggregate for eight of the ten development parcels, (excluding the two "lead" parcels, the parking structure, and Pier 48). • The Reserve Rent will be allocated among each of these eight development parcels, setting a floor for the total annual rent anticipated for each parcel ground lease, exclusive of any "upfront payments". Initial rent for each development parcel will be set by valuation procedures to be undertaken as each parcel is offered for vertical development.

	• The lead parcels will be transferred to Developer affiliates by parcel ground leases under which fair market rent, as established by appraisal, will be fully prepaid. The intent of the prepaid lead parcels, which are anticipated to be the two parcels most likely to be first developed, is to generate proceeds which can then be used to reimburse Developer's entitlement costs, including developer return accrued thereon. As described in the Term Sheet, the DDA will provide specific rules for how such proceeds are applied. • Base rent under each parcel ground lease (excluding lead parcels) will escalate as follows: In every 10th lease year, annual base rent will be increased to 85% of the average of the sum of annual base rent plus percentage rent ("total rent") paid to the Port pursuant to such parcel lease over the immediately preceding three years.
9. Percentage Rent Under Parcel Ground Leases	Each parcel ground lease (except for lead parcels) will include percentage rent in a form dictated by use, as described in the Term Sheet. Vertical developers will be required to pay the Port the greater of percentage rent or base rent, as documented in periodic reports to the Port in a manner similar to that required in other comparable Port development leases.
10. Port Participation in Capital Events	• When the capital event is a sale to a third party of a vertical developer's lease or fee interest and the sale occurs after vertical development is complete, the vertical developer will pay to the Port 1.5% of the net proceeds of the sale; provided that if the parcel is a lead parcel and the sale occurs within 10 years after the date that construction of the lead parcel is complete, no such payment will be required on the first such capital event. Payments will be required on all subsequent events. • When the capital event is a sale to a third party of an affiliated vertical developer's lease or fee interest in a lead parcel and the sale occurs within 36 months following transfer by the Port of the lead parcel, the affiliated vertical developer will pay to the Port 50% of the net proceeds; provided that if the parcel is a lead parcel acquired through an upset transfer, as defined in the Term Sheet, no such payment will be required. • Trust swap parcels that are sold to a vertical developer will be subject to a deed restriction providing for a contractual transfer fee (not a tax) on each sale after the initial sale of the parcel or, where the parcel has been subdivided, a residential or commercial condominium. The transfer fee will be (i) 1% of the sales price of a residential condominium sale, and (ii) 1.5% of the Net Proceeds of any other sale to a third party of an Affiliated Vertical Developer's lease or fee interest in a lead parcel, including commercial condominiums and multi-family rental buildings. • When the capital event is a refinancing, the DDA will provide that the Port will be entitled to a transfer fee of 1.5% of the net proceeds of the refinancing. In the case of a refinancing, loan proceeds that are to be invested back into the developed parcel will be excluded from net proceeds.
11. Developer's Horizontal Development Costs	The Port and Developer anticipate using public financing mechanisms funded by revenues generated by the Project to meet the Port's obligation to pay directly for or reimburse Developer's eligible horizontal development costs with the goals of reducing Project risks, accelerating Project benefits, and increasing Port participation payments and other benefits to the parties, vertical developers, and the public. A Project financing plan that will be a part of the DDA will set forth all financing mechanisms that the parties anticipate using for the Project.
12. Developer Return on Investment &	Generally, the Developer's return on investment ("Developer Return") will be calculated separately as to each Phase (with entitlement costs considered separately) and will be the greater of (i) the amount that is equivalent to 20% annual return on unreimbursed horizontal

Participation in Ongoing Revenues	development costs for such Phase outstanding from time to time; and (ii) the amount equal to one half of the Developer's equity for such Phase, so that the Developer receives a minimum of a 1.5 times multiple on its investment. • The Term Sheet provides detailed guidelines for how the Developer Return is treated in the "upset" case, in which the amount of funds available from Development Rights Payments and other sources falls short of the amount necessary to fully reimburse the Developer's entitlement costs including Developer Return. • When Port total annual revenue exceeds $4.5 million from base and percentage rents from the parcel leases, the Developer will share in a portion of this revenue stream representing 20% of the rents above $4.5 million for a term of up to 45 years.
13. Mechanisms to Pay Horizontal Development Costs	The primary financing mechanisms currently contemplated are: • Infrastructure Financing District (IFD) Project Areas: Consistent with the Port IFD Guidelines the City would form a single IFD consisting of all Port property ("waterfront district"). Following CEQA review for waterfront development projects, the City would then consider formation of a project-specific project area and adoption of project-specific infrastructure financing plans for the Site ("IFD financing plan") allocating tax increment from the project area to the waterfront district to finance public facilities specified in the adopted IFD financing plan. • Community Facilities District (CFD): The City would form a CFD, with improved areas annexed to the CFD at each Phase. The parties anticipate that CFD debt will be issued in accordance with each Phase Finance Plan and will be repaid by special taxes paid by all private landowners and ground lessees and net available property tax increment. • Bonds. CFD (or IFD) bonds will be issued at the City's sole discretion. Any bonds issued will be consistent with the Port's reimbursement obligations under the DDA, a phase budget, applicable federal tax law and regulations, other applicable law, and any Acquisition Agreement executed by the Port and Master Developer. • Maintenance Districts: The Parties will create a maintenance CFD over the entire Site, with areas annexed to the district with each Phase of development. Maintenance special taxes levied against each taxable development parcel would provide pay-as-you-go funds for operating and maintenance costs of public access and open space areas.
14. Development Rights Payments	Prepaid rent payable by vertical developers upon execution of parcel ground leases ("Development Rights Payments") will provide a source of funds from which Port will reimburse Developer's horizontal development costs (in conjunction with public finance sources) and pay Developer Return. The amount of the required Development Rights Payment for each Phase will be calculated for each phase budget.
15. Open Spaces, Parks, and Recreation	Developer will develop major new open spaces connecting Mission Rock with surrounding neighborhoods and the waterfront. The development of these parks and open spaces will be distributed among the Phases, completed concurrent with the completion of adjacent parcels as described above. • Parks and open spaces will be owned by the Port, and managed and programmed by Developer, subject to Port approval and conditions of the BCDC major permit. Maintenance of the parks and open spaces will be funded by special taxes

	imposed on vertical developers through the maintenance CFD.
16. Parking Structure	The Project will include a parking structure, developed in an early phase, of approximately 2,297 spaces that will support new development and maximize shared parking for the ballpark. The parties have initiated discussions with the San Francisco Municipal Transportation Agency ("SFMTA") to explore the feasibility of SFMTA financing and operating the Parking Structure. • Should the City conclude that the parking structure is not feasible as an SFMTA project, the parties will continue to explore other potential sources of financing and other measures needed to make the parking structure financially feasible. • The Port is not expected to provide any public financing for the parking structure except CFD bond financing that can be serviced by special taxes levied on the taxable parcels at the Site or taxable parcels off-site that will benefit from the Parking Structure.
17. Master Developer Option	Developer will have the right to lease each of the development parcels at its fair market value through an option process. • The parties must approve a phase budget that sets upfront lease payments based on expected infrastructure costs, net bond proceeds and timing and other costs and revenues related to the phase. • The Parties will agree on the fair market rental value of the parcel, verified by appraisals. • If the Port determines that market conditions support development of a particular development parcel, the Port will have the right to require Developer to either exercise its option or allow the Port to offer the parcel to the market through a parcel RFP.
18. Public Solicitation of Vertical Developers	A parcel RFP will be used if Developer fails to exercise its option or if Developer fails to timely close escrow on a parcel after exercising its option on such parcel.
19. Pier 48	Currently the Port and Developer are in negotiations with Anchor Brewing Company to expand its production capacity through a lease for the entirety of Pier 48. The Port will prepare detailed terms for a direct lease to Anchor Brewing Company for Pier 48 after receiving more information about the proposed improvements to the facility, but anticipates leasing the facility at the Port's parameter rent for similar shed structures. In light of current projections of sea level rise, the Port will limit the maximum initial term to 30 years. Options to extend the term to a total of 66 years may be exercised only after the City and the Port have established policies and procedures to address sea level rise, and the Port and the tenant agree on measures necessary to mitigate the risks associated with sea level rise that will be implemented at Pier 48 and their respective obligations with respect to those measures. The Port's review of any tenant or use will consider its preservation of maritime uses and historic features of Pier 48 as a necessary component to its thoughtful rehabilitation.

FINANCIAL AND POLICY ANALYSIS

The Term Sheet presents a roadmap for development including terms regarding required returns on Developer investment, rules governing distribution of revenue and the sources of finance for the Project. To analyze the financial outcomes of the term sheet, Developer created a financial pro forma analysis that makes certain assumptions regarding: 1) likely land use mix and phasing resulting from the flexible zoning; 2) the cost and phasing of infrastructure; 3) payments and rent that building developers could be expected to pay based on pro forma analysis of commercial and residential development on Site parcels; and 4) special tax and public finance timing, costs, interest rates and structure. This pro forma analysis was reviewed by Port staff, assisted by technical financial and economic feasibility analysis conducted by the Port's consultants, Seifel Consulting Inc. and Conley Consulting Group. The expected financial results are outlined below. A broader discussion of the fiscal benefits of the Project will be presented in the Fiscal Feasibility Report that will be prepared for the Board of Supervisors and presented to the Port Commission at term sheet endorsement.

Paying for Infrastructure

In order to realize the value of the Site there are significant design, entitlement and infrastructure expenditures that must be made for parcels to reach their full value and be readied for development. The primary sources to pay these expenses are: 1) Developer equity, 2) proceeds from upfront payments due at the beginning of parcel leases (either for the full value of pre-paid parcel leases or partial payments as described in the Term Sheet), 3) CFD bond proceeds that can be repaid by special taxes levied on the parcels or tax increment from the parcel's property tax proceeds available through the Port IFD, and 4) Site tax increment not needed to service CFD bonds. The challenge of funding these expenditures is amplified because most of these funding sources only start to flow after development of the Site has commenced. The funding of the predevelopment and early infrastructure is primarily through Developer equity. Once the Site is entitled, Port land value (in the form of pre-paid leases) is expected to pay down Developer equity and accumulated returns. As development commences CFD bonds, ultimately serviced by tax increment, become the primary source of funding Site infrastructure and public amenities. To pay the costs associated with entitlement and development the financial analysis estimates the following sources of funding:

Sources	**Amount**
Developer Equity	$100 million
Upfront Lease Payments	51 million
CFD Bond Proceeds	140 million
IFD "Paygo"	9 million
Total	**$300 million**

Uses	**Amount**
Project Infrastructure	$154 million
Return of Developer Equity	$100 million
Return on Developer Equity	46 million
Total	**$300 million**

Public Finance
The term sheet proposes the use of CFD bonds as a primary form of funding Site infrastructure and other public improvements. The term sheet would create a special tax district on the Site that would impose special taxes on Site development. Payment of these special taxes would be the obligation of each parcel leaseholder. Additionally, the Port would establish an IFD Project Area on the Site to collect property tax increment from this new development which would also be available to pay the debt service on these CFD bonds and could reduce the amount of special taxes. This mechanism allows the development to generate bond proceeds to fund needed infrastructure and public benefits without encumbering the Port balance sheet. CFD special taxes and bonds can be structured to maximize the flexibility of issuing debt while reducing risk to the Port and City for its repayment. This use of public finance and IFD is consistent with the Port's current Capital Plan strategy. On December 17, 2012, the City's Capital Planning Committee approved the Port's IFD policy[3] and recommended the policy to the Board of Supervisors for likely consideration by the Board in early 2013.

CFD bonds are issued by a special district established by the City and backed exclusively by the special taxes from the district and the IFD tax increment from the Site. These bonds present a special risk profile not directly implicating the Port Harbor Fund or the City in the event of a default on the bonds, but nevertheless there are certain risks to the City and Port in association with establishing the CFD and authorizing bonding. The Site is uniquely situated to maximize the benefits of this financing mechanism allowing the Port to leverage the significant investments of the Developer and the developers of each individual parcel in constructing infrastructure and buildings and capturing this tax increment for public purposes (i.e., infrastructure and public amenities such as parks). This leverage enhances the realizable value of the Port's land and allows the Port under SB 815 to utilize the increase in Port rent as a source to fund the Port's 10-year Capital Plan.

Additionally the IFD allows tax increment, after funding Site investments, to flow back to the City's General Fund. The pro forma estimates that $356 million in tax increment will support CFD bonds, $9 million will directly reimburse Site costs, and over the 75-year term of the Project almost $1.3 billion of tax increment will flow to the City.

Port Revenue
Based on the financial analysis performed by Developer and reviewed by Port staff and its consultants, it is expected that at full buildout (expected in 2022) Port would receive $4.5 million in annual guaranteed base rent from SWL 337 parcel leases and $1.5 million in annual net base rent from Pier 48. The pro forma analysis current projection for SWL 337 is above the $3.5 million minimum reserve rent referenced in the term sheet.

Eight SWL 337 parcel leases (all except the 2 pre-paid "lead parcels" and the parking structure parcel) would generate percentage rents that would result in aggregate rent of $4.5 million growing in pace with inflation. These percentage rents are not guaranteed but would allow Port rent revenue to increase with the underlying revenues of the built

[3] See http://onesanfrancisco.org/cpc-meeting-agenda-december-17-2012/

parcels. Over the term of these parcel leases Port rent is projected at $1.56 billion with a net present value of $133 million.

For each lease, every 10 years base rent would reset to 85% of the average of all rent (base and percentage rents) received for that parcel, resulting in increased guaranteed minimum rent within the existing Project economics. Additionally, each parcel would include provisions for the Port to participate in net proceeds from the sale or capital refinance of these parcels. Though these revenues are difficult to project due to the varying assumptions as to how long the lease would be held by a specific parcel tenant, as a general matter this lease provision would allow the Port to participate in situations where the appreciation of the lease reflects an increase in the value the parcel tenant receives from Port land. Pro forma analysis of individual parcel development and sale indicate that the Port's participation in capital events could yield over $1 million per sale depending on various factors such as building type, timing, and market.

When Port total annual revenue exceeds $4.5 million from base and percentage rents from the parcel leases, the Developer will share a 20% portion of this rental revenue stream above $4.5 million for a term of up to 45 years. Based on the Project pro forma analysis this revenue is equivalent to approximately $30 million over the 45 year period. By creating this sharing mechanism, the Developer is aligned with the Port's major financial objective, creating an ongoing program of escalating rent streams.

Currently the Site is used for parking, generating $2.4 million of base rent and approximately $3.5 million total rent annually. From 2012 through the 75 year lease terms the net present value of the current use is approximately $106 million[4]. The term sheet is expected to generate significantly more guaranteed rent than the current use and create an opportunity for the Port to collect percentage rents, participate in capital events and generate significant amounts of tax increment.

Development Risks

Though the Site is publically owned, the public-private partnership between the Developer and the Port is subject to all the standard risks associated with development. Typical categories of development risk are analyzed below.

Entitlement Risk

All developments that seek entitlements assume the risk that the process is longer and more expensive than expected and bear the risk of failing to gain public and regulatory approval to build the proposed Project. This entitlement risk is compounded on a site as high profile as the Site, especially given the high level of public scrutiny of this waterfront location. The level of entitlement risk presented by the Project is linked to the level of blended pre-entitlement (with higher risk) and infrastructure returns agreed to in the term sheet. The parties have agreed that the 20% developer returns with a 1.5x multiple represent a fair market return commensurate with the perceived Project risks.

Additionally it should be noted that the financial terms above reflect the level of investment balanced against the value created by the Project's 3.7 million square feet of

[4] Assumes initial rent $3.5 million per year, a 6% discount rate and 3% per annum increases.

development. The Port can only expect to receive this level of revenue from the Project's proposed density. If ultimately a lower density is approved for the Site, it is likely that infrastructure costs will only go down incrementally (and they could go up if the public amenities are more extensive or costly) but the Port's residual revenues after development would bear the majority of the decrease in value resulting from lower density. In this situation, new financial terms would need to be negotiated and approved by the Port Commission.

Financing Risk

The availability and cost of funding is a major development risk for any development. The proposed sources of funding for the Project represent diverse funding streams that are largely within public control. By utilizing these public sources, specifically Site value (in the form of pre-paid ground leases), tax increment and CFD bonds, the Port and City retain control of many of the financing factors. The term sheet structure removes some of the typical financing risk of development, but CFD bonds are ultimately subject to risk-based pricing from the bond markets to set price and availability.

Cost Risk

The parties are subject to uncertainty regarding the costs of entitlement and infrastructure. The just-in-time infrastructure phasing and the use of guaranteed maximum price ("GMP") construction contracts (to the maximum extent feasible) will partially offset this risk. As noted above additional costs from the entitlement of the Project are also a risk to be managed by the parties.

Market Risk

The structure of the term sheet exposes the Port to market cycle risks. Today the San Francisco market is one the strongest in recent history, supporting historically high land prices and sales prices for finished buildings. It is not reasonable to assume that current strong market conditions will exist over the span of the development period. Though the pro forma analysis underwrites market conditions below today's historic highs, the Port is at risk that future development phases could support lower land rental income than is currently indicated in the Project's pro forma analysis.

As with entitlement risk, the Port's land value is most at risk from fluctuations in land market values. The term sheet balances the market risk of the parties by capping the Developer's return on equity while providing a guaranteed 20% return. In exchange, the Port receives the vast majority of all residual value above this return level. Typically a developer would receive most of the potential upside created from development, negotiating a land price in advance of entitlement. For this Project, the Port participates in market risk, valuing the parcels after entitlement as served by infrastructure, but also receives most of the upside value of the entitled land.

Counterparty Risk

In public-private partnerships where there is a long-term partnership between parties, development risks can be addressed in part by reliance on the expertise and reliability of one's partner (and conversely can be exacerbated when those qualities are absent). The Developer, through both the RFQ/P process and the design and term sheet

negotiations, has consistently shown the highest commitment to the public-private partnership and exhibited great expertise in structuring this complex master development leasing deal.

Operating Risk

The Port's participation and percentage rent income is dependent on the operating skills of the future vertical developers. The Port's rents are subject to the vertical developer's future capability to maintain high occupancy levels and rental income streams, to maintain and re-invest in the property to continue to capture high rents over time, and to seek new investment to maintain the buildings' competitive position in the market place.

SUMMARY

The Seawall Lot 337 development represents a valuable opportunity to the Port and City to provide public benefits in the form of historic preservation, shoreline access and public parks. It is also an opportunity to extend the fabric of the City, add vitality to Mission Bay and provide revenue to the Port. In order to realize the value of the Port's asset, the Port has secured a private partner to 1) provided leadership in design and entitlement of the Site; 2) provide capital for pre-entitlement expenditures; and 3) provide the initial investment for infrastructure design and construction.

Beginning with the 2007 Request for Qualifications, the Port, working with its development partner, the City, regulatory agencies and numerous stakeholders, has diligently, patiently and deliberately shepherded the development of Seawall Lot 337 and Pier 48. With an unparalleled location at the gateway to the Port's working southern waterfront, the Site is of vital importance to the Port and to the City. The ongoing dialogue with the Port Commission and the public assure that excellence and integrity of design, construction and management are appropriate for this highly visible, valuable location. Through the provision of market rate and affordable housing, new parks and expanded open space, vibrant retail and an appropriate amount of off street parking, the Project complements the nearly fulfilled vision for Mission Bay while expanding public access to the waterfront and preserving valuable berths for continued maritime activity.

The Project strives to create a new mixed-use neighborhood on an underutilized site, preserve historic assets and maritime berths at Pier 48, create new parks and shoreline access, improve Port land and increase guaranteed base rent from the Site. The Project provides a unique opportunity to participate in the success of up to 10 new development parcels that would support the long term welfare of Port infrastructure and both benefit from and enhance the tremendous success of nearby Port investments including AT&T Park. A broader discussion of the fiscal benefits of the Project will be presented in the Fiscal Feasibility Report prepared for the Board of Supervisors and presented to Port Commission at term sheet endorsement, anticipated at the Port Commission's March 12, 2013 meeting.

NEXT STEPS

Based on Port Commission direction, the Port and City staff will prepare a final term sheet for Port Commission endorsement at the March 12, 2013 Port Commission meeting. Staff anticipates that the March 12th agenda item will also seek Port Commission approval of proposed amendments to the ENA relating to (i) the milestone schedule and (ii) the Port's oversight as to the entitlements budget and the financial capacity of the Developer. Upon approval by the Port Commission, the term sheet (together with a Fiscal Feasibility Report) will be submitted to the Board of Supervisors for their consideration.

Prepared by: Phil Williamson, Port Project Manager
James Hurley, Port Feasibility Analyst
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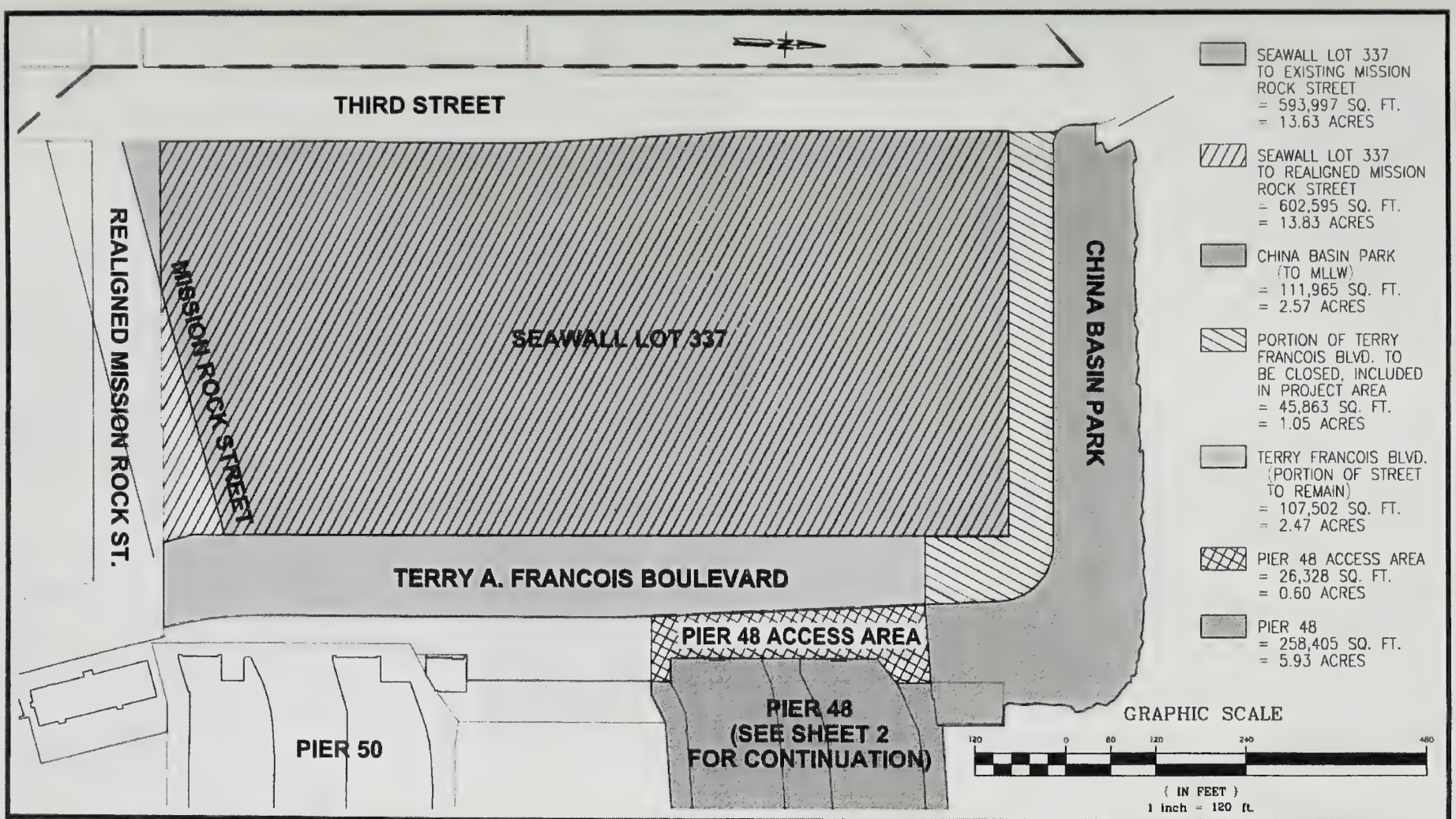
Michael Martin, Office of Economic and Workforce Development, Development Project Manager

For: Byron Rhett, Port Deputy Director Planning & Development
Jennifer Entine Matz, Office of Economic and Workforce Development, Director of Waterfront Development

Exhibits
Exhibit A – Site Map
Exhibit B – Term Sheet
Exhibit C – Developer Experience and Financial Capacity



APPROVED BY
SAN FRANCISCO PORT COMMISSION
DATE _____

_____
CHIEF HARBOR ENGINEER

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

SEAWALL LOT 337
DEVELOPMENT OPPORTUNITY SITE

PREPARED BY: AMN	CHECKED BY: D. OSHIMA
DRAWN BY: AMN	DATE: MAY 19, 2008
CONTRACT NO.	SCALE: 1" = 120'
DRAWING NO.	SHEET NO 1 OF 2 SHEETS

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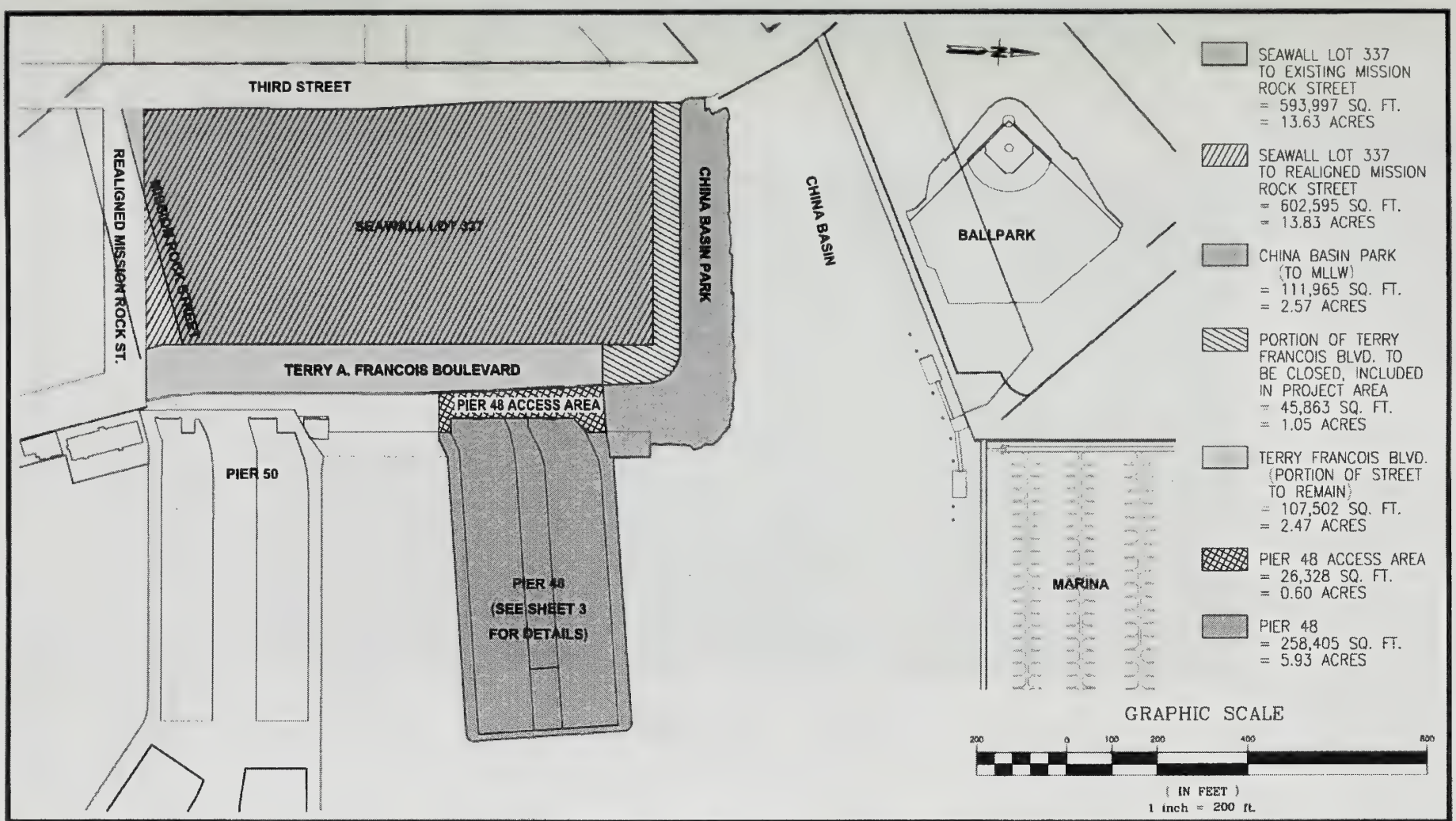
EXHIBIT A



APPROVED BY
SAN FRANCISCO PORT COMMISSION
DATE _____

CHIEF HARBOR ENGINEER

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

SEAWALL LOT 337
DEVELOPMENT OPPORTUNITY SITE

PREPARED BY: AMN	CHECKED BY: D. OSHIMA
DRAWN BY: AMN	DATE: MAY 19, 2008
CONTRACT NO.	SCALE: 1" = 200'
DRAWING NO.	SHEET NO. 2 OF 2 SHEETS

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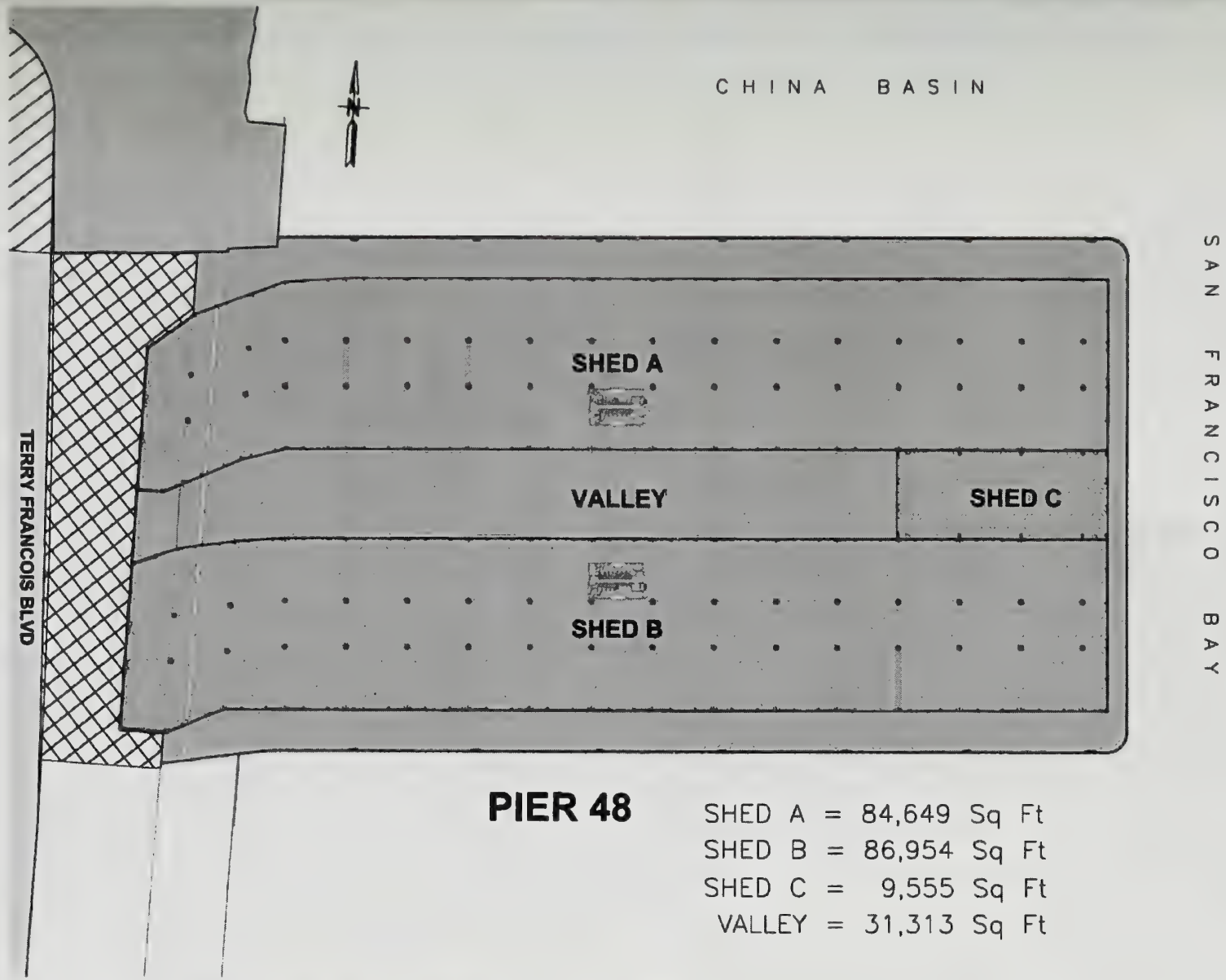
EXHIBIT A



APPROVED BY SAN FRANCISCO PORT COMMISSION DATE CHIEF HARBOR ENGINEER	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	**SEAWALL LOT 337 DEVELOPMENT OPPORTUNITY SITE PIER 48 DETAILS**	DRAWN BY: ECC CHECKED BY: D. OSHIMA PLACE CODE NO. 1480-00	DATE: MAY 19, 2008 SCALE: 1" = 100' SHEET NO. 3 OF 3 SHEETS

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EXHIBIT A

Lodged with Port Commission Secretary
February 22, 2013

PORT OF SAN FRANCISCO

CITY AND COUNTY OF SAN FRANCISCO
EDWIN LEE, MAYOR

TERM SHEET

BETWEEN

THE CITY AND COUNTY OF SAN FRANCISCO,
ACTING BY AND THROUGH THE SAN FRANCISCO PORT COMMISSION

AND

SEAWALL LOT 337 ASSOCIATES, LLC

MONIQUE MOYER, EXECUTIVE DIRECTOR

SAN FRANCISCO PORT COMMISSION

DOREEN WOO HO, PRESIDENT
KIMBERLY BRANDON, VICE PRESIDENT
WILLIE ADAMS, COMMISSIONER
LESLIE KATZ, COMMISSIONER

Lodged with Port Commission Secretary
February 22, 2013

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Lodged with Port Commission Secretary
February 22, 2013

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Exhibit E Summary Pro Forma

Exhibit F Proposed Guidelines for the Establishment and Use of an Infrastructure Financing District with Project Areas on Land under the Jurisdiction of the San Francisco Port Commission

Appendix Index of Defined Terms

Lodged with Port Commission Secretary
February 22, 2013

TERM SHEET FOR PROPOSED MISSION ROCK PROJECT AT SEAWALL LOT 337 AND PIER 48

This Term Sheet (including all attachments), dated for reference purposes only as of _____, 2013, is the "Term Sheet" referred to in the Performance Benchmarks in the Exclusive Negotiation Agreement dated as of May 25, 2010, between the City and County of San Francisco (the "City"), acting by and through its Port Commission (the "Port"), and SWL 337 Associates, LLC ("Master Developer"), as amended by the First Amendment to Exclusive Negotiation Agreement dated as of October 9, 2012 (as amended, the "ENA"), and sets forth the basic terms on which the Port and Master Developer will negotiate further agreements for the development of Seawall Lot 337 ("SWL 337"), Pier 48, and a portion of Terry Francois Boulevard and other properties (together, the "Site") as further described in **Section 2** (Site Description) as a mixed-use project called Mission Rock (the "Project"). The terms in this Term Sheet are intended to provide for development that will be consistent with the Port's obligations under the Burton Act (stats. 1968, ch. 1333), as amended including amendments effected by Senate Bill 815 (stats. 2007, ch. 660) ("SB 815"), and the public trust for commerce, navigation, and fisheries (collectively, the "public trust").

This Term Sheet: (1) expands upon the Financial and Negotiating Principles incorporated into the ENA; (2) summarizes negotiations regarding the Project, including financial projections in **Exhibit E** (Summary Pro Forma); (3) has been informed by the ongoing public review process for the Project; (4) is subject to endorsement by the Port Commission and the Board of Supervisors (the "Board"), each in its respective sole discretion; and (5) is intended to satisfy the requirements of Sections 4.1 and 4.3 of the ENA. After Port Commission and Board endorsement, the parties will further negotiate and amplify the terms in the Term Sheet and incorporate them into a Disposition and Development Agreement (the "DDA") and related transaction documents between the Port and Master Developer (collectively, the "Transaction Documents"). The Project is subject to completion of environmental review under the California Environmental Quality Act ("CEQA") and certification of the final environmental impact report for the Project, adoption of a mitigation monitoring and reporting plan if necessary and approval of the Project and the Transaction Documents, (collectively, the "Project Approval"). Along with any attached or underlying documents, this Term Sheet outlines certain basic terms contemplated for the Transaction Documents but is not intended to be, and will not become, contractually binding on any party except to the extent the City, including its Port, and Master Developer execute and deliver the DDA and other Transaction Documents incorporating the Term Sheet provisions and any other conditions to Project Approval.

OVERVIEW

The Site and the Port's Objectives for Development

The major parcel in the Site is SWL 337, an approximately 16-acre site located south of Mission Creek/China Basin Channel in the Mission Bay community. SWL 337 is

currently improved with China Basin Park at the north end and an asphalt parking lot that is leased to China Basin Ballpark Company, LLC, an affiliate of Master Developer, for ballgame and non-ballgame parking and special events.

Like the majority of Port properties, SWL 337 was historically composed of tide and submerged lands owned by the State of California (the "State") and subject to the common law public trust doctrine. Public trust lands are held on behalf of the people of the State for purposes of commerce, navigation, and fisheries. Tidal and submerged lands remain subject to the public trust even after they have been filled, unless the public trust is terminated by the California Legislature. The State transferred SWL 337 and other State sovereign lands to the City in 1969 under the Burton Act, which imposed a statutory trust and other requirements on the granted lands. The public trust generally prohibits certain land uses (such as general office, housing, many types of retail, commercial, and non-water-oriented recreational uses) in favor of maritime, open space, environmental restoration, and visitor-oriented activities (including tourist retail and hotels). Based on findings that certain designated Port seawall lots, including SWL 337, have been cut off from the water and are no longer needed, in whole or in part, for public trust purposes, SB 815 authorizes the public trust use restrictions to be lifted from those designated seawall lots until 2094.

Given its size and location, SWL 337 is one of the Port's most desirable development sites. Consistent with the Port's land use policy document, the Waterfront Land Use Plan, the Port engaged in a multi-year public planning process culminating in the following vision statement for development of the parcel:

> *Create a vibrant and unique mixed-use urban neighborhood focused on a major new public open space at the water's edge. This new neighborhood should demonstrate the highest quality of design and architecture, and the best in sustainable development with a mix of public and economic uses that creates a public destination which enlivens the Central Waterfront, celebrates the San Francisco Bay shoreline, and energizes development at Mission Bay. Consistent with enabling state legislation, the development program for the site should generate significant revenues to fund the Port's historic preservation and waterfront open space needs, and maximize public trust uses.*

The Site also includes Pier 48, a pile-supported 212,500 square-foot facility containing about 181,200 square feet of enclosed warehouse space and a 31,300 square-foot valley. Pier 48 is bounded by China Basin on the north, Pier 50 on the south, and Terry Francois Boulevard to the west. Pier 48 was originally constructed in 1928 and is the southernmost pier structure in the Port of San Francisco Embarcadero Waterfront Historic District, which is listed in the National Register of Historic Places.

Through the planning process, the Port identified the following objective for Pier 48, if included in any development proposal for SWL 337:

> *Propose a use program for Pier 48 that is publicly-oriented and water-related to the extent possible, and which complements and enhances the public use and*

enjoyment of the major new open space at China Basin. The Pier 48 use program must be consistent with the public trust, and any improvements must comply with the Secretary of the Interior Standards for Rehabilitation.

Using the Port's vision statement for SWL 337, together with development objectives and criteria for the Site developed in the public planning process, the Port initiated in 2007 a two-step public solicitation process by a Request for Developer Qualifications/Proposals, followed in 2008 by a Request for Proposals, for development of SWL 337, with an option to include Pier 48. After reviewing a community-based evaluation panel's recommendations, including "Financial and Negotiation Principles," and staff evaluation of the economic proposal, the Port Commission in May 2010 selected Master Developer for exclusive negotiations for development of the Site, subject to a requirement to negotiate a term sheet consistent with the offering documents and the Financial and Negotiation Principles. This Term Sheet is a result of the exclusive negotiations process.

General Project Description

Mission Rock will be a new mixed-use neighborhood created on a site now used principally to provide parking for AT&T Park. The Project will complement and link Mission Bay to the urban fabric of the City. At build-out, the Project, including Pier 48, would include approximately 3,600,000 gross square feet of above-grade development and create approximately 8 acres of new and expanded parks and shoreline access.

SWL 337 would be divided into 11 buildable parcels, 10 of which (each, a "Development Parcel") would be developed in phases of one to three Development Parcels (each, a "Phase") as a mix of commercial/office, retail, and market rate and affordable residential uses. The precise combination of uses would be determined in response to market demands as the Project moves forward. The 11th parcel would hold structured parking (the "Parking Structure") to serve the new development and other nearby uses, including games and other events at AT&T Park.

Pier 48 would be rehabilitated in compliance with the Secretary of the Interior's Standards for the Treatment of Historic Properties. Master Developer proposes a mix of uses such as light industrial/manufacturing, barging, general office and storage supporting onsite uses, retail, restaurant, tours, events and event parking, maritime operations including continued operations on the south apron, and public access.

Open Spaces, Parks, and Recreation

The Project would create major new parks and open spaces connecting Mission Rock with surrounding neighborhoods and the waterfront, including:

- China Basin Park, originally built as part of the AT&T Park project, will be expanded into a 5-acre regional waterfront park located on China Basin across from AT&T Park, with a great lawn open space and special event area, a waterfront café with outdoor seating, a junior baseball field, gardens and picnic

areas, and a promenade connection to the new Channel Plaza between Piers 48 and 50.

- Mission Rock Square will be a new 1.3-acre park located at the heart of Mission Rock. Mission Rock Square will include a large multi-use lawn, plaza, and café pavilion. It will be framed by a mix of residential and commercial uses, including vibrant ground-floor retail, and will include a pedestrian connection to Channel Plaza.

- Channel Plaza will convert the area between Piers 48 and 50 into a hardscaped ½-acre plaza set upon an active maritime wharf with views of working vessels and other maritime uses, subject to Port Commission approval to add the area to the Site.

The development of these parks and open spaces will be distributed among the Project Phases to assure that they are completed concurrently with the adjacent Development Parcels. As shown in **Exhibit C** (Illustrative Phasing Plan), development of China Basin Park is expected in Phase 2 and Mission Rock Square in Phase 3.

Parks and open spaces will be owned by and remain under the jurisdiction and control of the Port, and will be programmed by Master Developer subject to Port approval and conditions of the San Francisco Bay Conservation and Development Commission ("BCDC") major permit applicable to the Site. Operations and maintenance of the parks and open spaces will be funded by special taxes imposed on privately-owned and occupied land and buildings on the Site under the Mello-Roos Community Facilities Act of 1982.

Flexible Zoning Scheme

A key element of the design proposal is the flexibility to respond to future market demands. Certain parcels will be residential (above ground floor), some parcels will be commercial, and others will be zoned flexibly to allow either product type. See **Exhibit B** (Project Description).

Heights of buildings, reflecting the mixed-use nature of their uses, will be diverse. Up to two tall slender signature residential towers are anticipated, which could be from 320 up to 380 feet in height. Other buildings would range from about 90 up to 280 feet in height.

Design guidelines for Mission Rock will emphasize physical and visual access to the Bay and surrounding landmarks, reinforced by a pattern of development that lays multiple paths through the Project to the water. Project buildings will demonstrate a respect for their waterfront setting through a stepped profile in relation to each other and in relation to the waterfront. Lower floors of buildings will serve to enliven and frame the public realm, while upper floors will retain a form and profile that complements Mission Rock and the cityscape as a whole.

While zoning will allow a certain amount of flexibility, Master Developer will retain control over ground floor design and tenant mix, and will manage park operations and maintenance subject to the Port's control. Comprehensive planning and programming of ground floor spaces will address both the design and the nature of Mission Rock's retail, defining the public realm and neighborhood identity. The Project will feature a dynamic range of restaurants, cafes, boutique stores, grocery stores, and other shops made possible by careful programming of the entire Site. In consultation with the Port and community, Master Developer will create a retail blueprint for locations and tenant types. This comprehensive programming will address not only types of stores, but also the appropriate mix of local, regional, and national retailers. Minimum threshold requirements for local and regional operators will reduce the threat of homogeneity that otherwise might adversely affect the Project's retail success. This building-to-building variety will strengthen the pedestrian environment and establish an authentic neighborhood for San Franciscans to enjoy.

Parking Structure

The Parking Structure will be developed on Parcel D of SWL 337 as part of an early Phase of the Project and will provide approximately 2,300 spaces for use by the entire development and for ballpark, event, and other public and transit-based parking.

Affordable Housing

New rental housing built for the Project will meet City inclusionary housing requirements under Planning Code sections 415.1-415.11 for onsite inclusionary housing, which requires that 15% of the units be available at rents affordable to households at 55% of area median income as determined by the U.S. Department of Housing and Urban Development for the San Francisco area. Master Developer will be required to deliver affordable housing in a balanced manner throughout the phasing of the Project. Although Master Developer may deliver a higher percentage in early Phases and count these units towards overall requirements, it will not be allowed to defer delivery of affordable units to later Phases of the Project, except at the City's direction, in its sole discretion.

Transportation Demand Management Plan

Master Developer will implement a Transportation Demand Management Plan ("TDMP") that provides a comprehensive strategy to manage the transportation demands created by the Mission Rock Project. The mixed-use nature of the Project's land use program, its rich transit options, and proximity to San Francisco's resources and services mandate that single-occupancy vehicle trips be reduced. The transportation strategy at Mission Rock is based on reducing vehicle miles traveled by fostering multiple modes of sustainable transportation, emphasizing pedestrian, bicycle, and public transit options.

The TDMP will incorporate smart and sustainable transportation planning principles to address the transportation needs of the Project, consistent with the City's Transit First, Better Streets, Climate Action, and Transportation Sustainability Plans and Policies.

Sustainability

Master Developer will implement a Sustainability Plan that will provide a comprehensive strategy to achieve the Project goal of becoming a model of sustainability by exhibiting the concepts and practices of sustainable community development throughout the development process. Master Developer will collaborate with the City through the Department of the Environment, the Planning Department, and the Port Planning Division to develop the Sustainability Plan that will be included in the DDA.

Master Developer, the Port, and the City will seek to have the Project designated as a "Type I Eco-District" to help meet environmental goals. A Type 1 Eco-District is characterized by a large amount of undeveloped land typically owned by a single property owner, enabling horizontal infrastructure development to be implemented in advance of vertical development and maximizing efficiency through district-scale systems. The Planning Department has identified Mission Rock as one of three potential Type 1 Eco-Districts in San Francisco.

Master Developer, the Port, and the City will develop an integrated Eco-District Plan that identifies measurable goals, standards, and performance metrics. This Eco-District Plan will be included in the DDA. Multiple sustainable site approaches will be considered from the outset of horizontal development to enable vertical development design proposals to exceed Port Building Code requirements and achieve Project goals for integrated sustainable design and a low carbon community.

Workforce Development

Build-out of the Project will create thousands of construction and permanent jobs, and the planning, design, and construction work will provide substantial contracting opportunities for local contractors and professional service firms as well as countless businesses, employers, and organizations. Master Developer will implement a Jobs and Equal Opportunity Program designed to assure that a portion of the jobs and contracting opportunities generated by the Project be directed, to the extent possible based on the type of work required and consistent with collective bargaining agreements, to local, small, and economically disadvantaged companies and individuals.

Statutory, Regulatory, and Plan Amendments

Site Zoning

Master Developer will work with the Planning Department and Port staff to draft a proposed Special Use District ("SUD") that would establish development parameters for the Project. If approved, as appropriate, by the Port Commission, the Planning Commission, and the Board of Supervisors, the SUD would be incorporated into the City's Planning Code. SWL 337 is currently zoned MB-OS, and Pier 48 is zoned M-2. The Waterfront Land Use Plan will be amended to incorporate the SUD limitations and set forth other development requirements, such as the design review body and process.

BCDC

The Project will require approvals by state and regional bodies. BCDC, in collaboration with the San Francisco Bay Area Metropolitan Transportation Commission, adopted the Bay Area Seaport Plan, which currently designates Pier 48 as a future site for neobulk cargo shipping and the eastern 6 acres of SWL 337 adjacent to Pier 48 as a "port priority" use area to provide backland area for potential cargo operations. Amendments to BCDC's San Francisco Waterfront Special Area Plan (an element of the Bay Plan) are also anticipated. In addition, all development within 100 feet of the shoreline will be subject to BCDC approval.

State Lands Commission

Under SB 815, the State has determined that SWL 337 is no longer useful for the promotion of the public trust and the Burton Act, except for the production of revenue to support Port trust uses, including preservation of historic piers and structures, and the construction and maintenance of waterfront plazas and open space. The Port is required to obtain the State Lands Commission's ("State Lands") prior approval of the conclusions of a Port study on the retention of certain public trust uses on SWL 337 and adjacent piers (including public parks and walkways, restaurants, hotels, maritime training, sales, and rentals, and waterfront visitor-serving retail services). The public trust study must also address the transportation needs of the ballpark, and trust uses on other Port property in the vicinity.

State Lands must also find that all nontrust leases are for fair market value, consistent with the public trust (other than land use restrictions), and otherwise are in the best interests of the State. In addition, Port staff will work with State Lands to obtain state legislation for certain Project-implementing amendments to SB 815, including the addition to SWL 337 of an approximately 20-foot wide strip along the Mission Rock Street edge of the parcel. To the extent necessary and after further consultation with State Lands staff and Master Developer, the Port may also seek other Project-implementing amendments to the Burton Act and other state legislation.

The Port believes that it may be able to obtain State approval for a trust swap that would allow the Port to sell up to two of the Development Parcels (each, a "Trust Swap Parcel") free of the public trust. If so, the Port would deposit the proceeds of sale into a deposit account to be used as described in **Section 14** (Development Rights Payments).

FINANCIAL STRUCTURE

Overview

As described in this Term Sheet, Master Developer and the Port have created a conceptual framework to take advantage of the lessons learned during the City's recent experience with phased, master planned developments and innovative financing mechanisms for public infrastructure serving new infill projects. The entitlement of a large site and building infrastructure for multiple development opportunities includes many risks, and the structure under discussion includes several provisions to reduce the

normal risks of development. The following concepts serve as the foundation for this public-private partnership and will be implemented through the course of the Project.

a. Parcelization of Site and Development Phasing: The transaction structure allows for development of the Project in Phases, each incorporating one or more of the parcels at the Site - 10 Development Parcels, the Parking Structure on Parcel D, and Pier 48. Phases will be timed to take advantage of positive market cycles. The phased implementation strategy will also provide opportunities for additional partnerships and third-party investment as needed to maximize market value and the resulting base and percentage rent payments to the Port.

b. Verification of Market Value: The Port will offer development rights for individual parcels only after consultation among the parties and market expert(s) as to current market conditions. The Port will release parcels to vertical developers (each, a "Vertical Developer") for fair market value in each case. Master Developer, itself or through its affiliated Vertical Developers ("Master Developer Affiliates"), may acquire development rights to parcels through exercise of Master Developer's option, with fair market value consideration for the transfer established by appraisal before closing. The Port will offer development rights for some parcels through a public, competitive disposition process as an alternate means to determine fair market value if Master Developer does not exercise its option and in certain other circumstances.

c. Efficient Delivery of Infrastructure and Public Facilities: The just-in-time method of horizontal development, along with built-in flexibility to access public financing mechanisms, ensures cost-efficient delivery of required Infrastructure and Public Facilities (defined in **Section 3** (Project Description)) in coordination with the completion of vertical development (i.e., buildings) in each Phase to minimize the period that Master Developer's costs accrue Developer Return (defined in **Section 12** (Developer Return)).

d. Development Will Increase Land Value and Port Revenue: Parcel transfers will be timed to take advantage of the benefits of a stable or growing real estate market through base rent, with the goal of realizing higher and more diversified rents to the Port than under the existing parking lease. Proceeds from the sale of development rights and ongoing Port participation in lease revenues and future lease transfers provide the Port with a cushion against a weakened market and a path to recover lost value if a given parcel transfer takes place in a weaker market. As an incentive to maximize lease revenues to the Port, Master Developer will receive 20% of the amount by which annual rents from SWL 337 exceed $4.5 million for 45 years.

e. Shared Risks through Phased Development: Master Developer's equity investment, public bond issuance, and Port reimbursements to Master Developer are timed and sized to keep the parties' interests aligned, provide a

means to achieve both parties' development objectives over time, and balance the risks through downturns in the real estate market.

Master Developer is responsible for funding entitlements and development of Infrastructure and Public Facilities. Developer's investment in horizontal development costs will be entitled to a market-based return on its investment from payments by Vertical Developers of prepaid ground lease rents (each, a "Development Rights Payment"), proceeds of the sale of Trust Swap Parcels if authorized, and public financing proceeds generated by the Project. The Port will receive fair market leasehold value ("Leasehold FMV") for its improved parcels through ground and percentage rent under long term ground leases. The overall financial structure is discussed below.

After the Project has been fully entitled, Master Developer will enter into an interim master lease for SWL 337 (the "Master Lease"), with rent terms based on the current parking lease between the Port and China Basin Ballpark Company, LLC. As dictated by market conditions, Master Developer will initiate the transfer of parcel development rights to Vertical Developers for vertical development for Leasehold FMV. Master Developer will be required to take the first two designated Development Parcels (each, a "Lead Parcel") and will have the option to develop the other Development Parcels, subject to exceptions specified in this Term Sheet. The Port will enter into long-term ground leases with Vertical Developers for each Development Parcel (not including Parking Structure Parcel D) for consideration equal to Leasehold FMV in the form of: (i) an upfront Development Rights Payment (see **Section 14** (Development Rights Payments)) that will reimburse Master Developer for a portion of its investment in horizontal development; and (ii) ongoing rent payments to the Port. Master Developer's base rent obligation under the Master Lease will reduce proportionally as Development Parcels are removed from the Master Lease through the execution of parcel ground leases (each, a "Parcel Lease").

After execution of the Parcel Lease(s) for parcels included in each Phase, Master Developer will construct just-in-time horizontal development required for that Phase. Master Developer will bear the cost of the horizontal development ("Horizontal Development Costs"), subject to its right of reimbursement under the DDA.

The Port will retain ownership of ground-leased land and will purchase the Infrastructure and Public Facilities that Master Developer constructs on the Site by reimbursing Master Developer for its Horizontal Development Costs along with a market-based return on its equity investment ("Developer Return"). The Port's funding sources will include Development Rights Payments, special taxes, and property tax increment derived from the Site.

<u>Predevelopment Costs and Lead Parcels</u>

Master Developer will pay all costs of predevelopment, including planning, environmental review, and Project Approvals ("Entitlement Costs"), to entitle the Project. Master Developer will be entitled to a Developer Return on its Entitlement Costs in an aggregate amount that is the greater of: (i) an amount equivalent to a 20% cumulative

annual return on unreimbursed Entitlement Costs; and (ii) 1.5 times the highest balance of Entitlement Costs outstanding.

A key component of the financial structure is the requirement for Master Developer to accept (itself or through a Master Developer Affiliate) two Development Parcels (each, a "Lead Parcel") promptly following Project Approval. The fair market value of the Lead Parcels would be applied to Master Developer's Entitlement Costs and associated Developer Return and is currently projected to fully satisfy those sums.

Development

Development Parcels would be developed as market conditions support their development. For each Phase, the Port and Master Developer will confer and agree on a budget for the Phase (each, a "Phase Budget"). Each Phase Budget will: (i) include Master Developer's projected Horizontal Development Costs ; (ii) list the Port's anticipated sources of funding to reimburse Master Developer and to pay the associated Developer Return; and (iii) establish the amount of Development Rights Payments for Development Parcels in the Phase.

The Port will work with the City to issue community facilities district ("CFD") bonds under the Mello-Roos Community Facilities Act of 1982 or local law early in each Phase. CFD bond proceeds, together with Development Rights Payments made by Vertical Developers, will be the Port's primary sources to pay Master Developer's Horizontal Development Costs and associated Developer Return. Tax increment, captured through an infrastructure financing district ("IFD") as it becomes available, will be used to pay CFD debt, reduce special taxes, and for other Project purposes. Master Developer will receive Developer Returns on its Horizontal Development Costs for each Phase in an amount that is the greater of: (i) an amount equivalent to a 20% cumulative annual return on unreimbursed Entitlement Costs; and (ii) 1.5 times the highest unreimbursed balance of Master Developer's Horizontal Development Costs for the Phase.

Financial Structure Recap

The financial structure for the Project is summarized briefly immediately below. See **Section 12** (Developer Return) for a fuller explanation

Predevelopment:

Master Developer pays all Entitlement Costs

Developer Return accrues on Entitlement Costs equivalent to greater of:

- a 20% cumulative annual return; and
- 1.5 times the highest unreimbursed balance of Entitlement Costs

If fair market value of Lead Parcels is less than Entitlement Costs:

- Developer Return on the unpaid balance is capped at a 2.0 times the unpaid balance

Master Lease and Lead Parcels:

Parties enter into Transaction Documents, including:

- Master Lease for SWL 337, with $2.4 million annual base rent allocated among 8 Development Parcels

Master Developer Affiliates enter into Parcel Leases for Lead Parcels for prepaid rent at Leasehold FMV

Transaction Structure and Development of Future Phases:

- Each Phase commences when the Port and Master Developer agree market conditions are right for development

Vertical Developers enter into Parcel Leases for Leasehold FMV, paid by:

- Upfront Development Rights Payments; and
- Base and percentage rent

Master Developer pays Horizontal Development Costs of each Phase

Overall Financial Structure:

Prepaid rent for Lead Parcels applied:

- First to accrued Developer Return on Entitlement Costs; and
- Then to Entitlement Costs

Development Rights Payments on subsequent Parcel Leases applied:

- First to accrued Developer Return;
- Then to outstanding balance of Horizontal Development Costs of prior Phase(s); and
- Then to current Phase Horizontal Development Costs

CFD bond proceeds and special taxes are applied:

- First to accrued Developer Return; and
- Then to outstanding Horizontal Development Costs

IFD bonds and tax increment applied to:

- CFD debt service

- Special tax offsets; and
- Other Project needs

Master Developer receives Developer Return in an aggregate amount that is equivalent to the greater of:

- a 20% cumulative annual return on Master Developer's unreimbursed Horizontal Development Costs for each Phase, and
- 1.5 times the highest unreimbursed balance of Horizontal Development Costs for each Phase

Project implementation:

- Periodic and final accounting conducted of Horizontal Development Costs and application of Development Rights Payments and public financing
- Master Developer and Master Developer Affiliates receive ongoing economic benefits from Development Parcels
- Port receives ongoing economic benefit from rents under Parcel Leases
- As an incentive to maximize lease revenues to the Port, Master Developer will receive 20% of the amount by which annual rents from SWL 337 exceed $4.5 million for 45 years

Section and Title	Basic Terms and Conditions
1. Parties; Master Developer Affiliates	a. Parties Port: City and County of San Francisco (the "City"), acting by and through its Port Commission (the "Port"). References to the Port in this Term Sheet also mean staff of the Port acting within their delegated authority. Master Developer: Seawall Lot 337 Associates, LLC, a Delaware limited liability company ("Master Developer"). b. Master Developer Affiliates Master Developer expects to affiliate with qualified third parties to form single-asset entities (each, a "Master Developer Affiliate") that will become vertical developers of buildable parcels (each a "Vertical Developer") of buildable parcels (each a "Development Parcel") for the Project.
2. Site Description (all area figures for size are approximate)	The "Site" is depicted in **Exhibit A** (Site Description) and consists of the following: • Seawall Lot 337 ("SWL 337"), a 16-acre parcel located south of Mission Creek/China Basin Channel, bordered by Third Street on the west, Mission Rock Street on the south, and Terry Francois Boulevard on the east; • Pier 48, a 212,500 square-foot facility, with two main pier sheds, Shed A and Shed B, connected by a connector shed, Shed C, at the east end of the pier, containing collectively 181,200 square feet of enclosed warehouse space and a 31,300 square-foot valley between the Shed A and Shed B; • 3.52 acres of Terry Francois Boulevard from Third Street to Mission Rock Street; • subject to Port Commission, Successor Agency Oversight Board, and State of California ("State") approvals, a 20-foot wide strip along the Mission Rock Street edge of SWL 337 known as P20; and • 1/2 acre to the east of Terry Francois Boulevard between Pier 48 and Pier 50, designated as Channel

	Plaza.
3. Project Description (all area figures for size are approximate)	Mission Rock will create a new mixed-use neighborhood, linking Mission Bay to the urban fabric of the City (the "Project"). At final build-out of SWL 337, the Project is proposed to include 3,500,000 gross square feet of vertical development, as depicted in **Exhibit B** (Project Description). The parties anticipate that the Project will continue to evolve throughout review under the California Environmental Quality Act ("CEQA") and the public review process under CEQA and for the required local and other regulatory approvals ("Project Approval"). a. Horizontal Development at SWL 337: The term "horizontal development" generally means the activities described in this Subsection immediately below, and incorporates the preliminary definitions of "Horizontal Development Costs," "Entitlement Costs," "Soft Costs," and "Hard Costs" in **Section 11** (Horizontal Development Costs). The parties will refine these definitions as more detailed information about the Project becomes available. Anticipated horizontal development currently includes: i. predevelopment activities, including preliminary planning and design work, environmental review under CEQA, and negotiating the financial and other terms of the Transaction Documents and Project Approval ("Entitlement"); ii. site preparation, including removal of contaminated soils, grading, soil compaction and stabilization, construction and installation of water, sanitary sewer, storm drainage, utility infrastructure, and stone columns or pilings to stabilize the seawall or other infrastructure ("Infrastructure"); and iii. construction of streets and walkways, maritime facilities, shoreline improvements and parks, ("Public Facilities"), including a 5-acre regional waterfront park and a 1-acre park central to the Site. b. Vertical Development at SWL 337: The term "vertical development" means the construction of new buildings at SWL 337 appropriate for a mixed-use neighborhood. The proposed development and use program follows, subject to change in response to market conditions and

	the maximum development envelope described above. i. Ten of the buildable parcels, i.e., Parcels A-K (but not Parcel D) are anticipated to be developed as follows: • 1,300,000 to 1,700,000 square feet of commercial use, including Class A office and research and development space; • 750,000 to 1,500,000 square feet of residential in 650 to 1,500 units; • 150,000 to 250,000 square feet of retail, entertainment, or ancillary space spread throughout the buildings; and • approximately 700 accessory parking spaces in residential and commercial buildings. ii. The 11th buildable parcel (Parcel D) will hold: • 850,000 square feet of structured parking (the "Parking Structure") with approximately 2,300 parking stalls, as more specifically described in **Section 16** (Parking Structure). c. Rehabilitation and Reuse of Pier 48: Pier 48 sheds and the open space valley area between Shed A and Shed B would be rehabilitated consistent with the Secretary of the Interior's Standards for Treatment of Historic Properties within the existing building envelopes ("Pier 48 Rehabilitation"). The parties intend to preserve and improve Pier 48 aprons for public access and maritime operations, consistent with regulatory requirements and the Port's Maritime Industry Preservation Policy (Reso. No. 11-58).
4. Transaction Documents	As soon as practicable after Project Approval, the Port and Master Developer will enter into a Disposition and Development Agreement (the "DDA") and an interim master ground lease for SWL 337 (the "Master Lease"), as well as other transaction documents (the "Transaction Documents"), some of which may require additional parties, relating to public financing, construction review and approvals by other City departments, and other matters required to implement the Project. Key elements of the DDA, the Master Lease,

	and the form of ground lease for Development Parcels (each, a "Parcel Lease") are described below. a. DDA: The DDA will set the terms and conditions for the disposition and development of parcels at the Site consistent with this Term Sheet and applicable provisions of Port agreements for other development projects of similar scale. Under the DDA, the Port will enter into a Parcel Lease with a Vertical Developer for each parcel concurrently with its release from the Master Lease, and Master Developer will coordinate with each Vertical Developer for concurrent horizontal and vertical development of the parcel, with Infrastructure and Public Facilities appropriately sequenced and distributed among the Phases. In addition to matters covered elsewhere by this Term Sheet, key provisions of the DDA will address: i. conditions to Master Developer's exercise of its option with respect to any Development Parcel; ii. Master Developer's obligation to complete horizontal development of the Project at no cost to the Port or the City, except to the extent that the City applies other funding sources directly to Public Facilities, according to an Infrastructure Plan describing the Infrastructure and Public Facilities that will be phased with each parcel's vertical development; iii. the Port's obligation to acquire Infrastructure and Public Facilities at prices that will reimburse Master Developer for its Horizontal Development Costs and pay Master Developer a market-based return on its equity ("Developer Return," as more specifically defined in **Section 12** (Developer Return)); iv. a plan that identifies the sources of funds that the Port has agreed to use, and the conditions for their use, to satisfy its payment obligations (the "Financing Plan"), including Development Rights Payments (defined in **Section 14** (Development Rights Payments), Port revenues from any prepaid Parcel Leases, proceeds of the sale of any Development Parcel for which the Port has

	obtained State approval to sell (each, a "Trust Swap Parcel"), and proceeds of public financing; v. a schedule of Master Developer's Entitlement Costs incurred and accrued Developer Return as of the DDA effective date (together, the "Total Entitlement Sum"); vi. an acquisition agreement establishing procedures and conditions for the City's and Port's acquisition of Infrastructure and Public Facilities, which will survive the termination of the DDA; vii. a form of purchase and sale agreement that will describe the terms, conditions and procedures for the Port's sale of Trust Swap Parcels (each, a "Purchase Agreement"); viii. anticipated phasing of the Project (the "Project Phasing Schedule") and mechanisms for adjusting the Project Phasing Schedule to address market conditions, force majeure events, and other conditions; ix. a form of Parcel Lease and the minimum qualifications for Vertical Developers, such as appropriate financial resources for the scope of development, development experience and capacity, and other criteria satisfactory to the Port in its reasonable judgment; and providing for Master Developer to assign its rights and obligations under the DDA with respect to the applicable parcel to the Vertical Developer in conjunction with each Parcel Lease, subject to the Port's consent, which the Port will not withhold if Master Developer has satisfied all conditions precedent and the Vertical Developer meets minimum qualifications standards; x. conditions precedent that Master Developer must satisfy, including approvals required by the State Lands Commission ("State Lands") in accordance with SB 815, and, if required for long-term use of Pier 48, determinations by the Port Commission and State Lands that the Pier 48 use would be consistent with the public trust for commerce, navigation, and fisheries and the statutory trust

	imposed by the Burton Act (stats. 1968, ch. 1333) collectively the "public trust"); xi. Master Developer's estimate of the associated costs of Infrastructure and Public Facilities and provisions governing Master Developer's responsibility to complete horizontal development in coordination with vertical development of the parcel, as determined before the conveyance of Parcel Leases; xii. conditions under which the Port will have the right to offer a Development Parcel to third-party Vertical Developers, such as Master Developer's failure to exercise an option or satisfy its DDA obligations; xiii. City and Port construction standards that will apply to horizontal and vertical development; xiv. events of default and appropriate remedies for defaults or events that with the passage of time and failure to cure within any applicable cure period would be defaults by a party; xv. standards of conduct applicable to the parties while implementing the DDA and appropriate limitations on the remedies available to either party following a breach of the DDA; xvi. City programs and requirements that will apply to development at the Site; and xvii. providing for the DDA to expire after all CFD and IFD bonds have been issued and bond proceeds distributed in accordance with the Financing Plan. b. Master Lease: Immediately after execution of the DDA, China Basin Ballpark Company, LLC and the Port will enter into a termination agreement for Lease No. L-14980, and the Port and Master Developer will enter into the Master Lease in concurrent transactions. If the Port also concurrently enters into Parcel Leases with Master Developer Affiliates for the Lead Parcels and Pier 48, those parcels (and associated horizontal development areas) would be excluded from the Master Lease. Rent and other key terms will be consistent with those in Lease No. L-14980, as described in **Section 8**

	(Master Lease Terms). c. Form of Parcel Lease: As part of the Project Approval, the Port will request that the Port Commission and the Board of Supervisors (the "Board") approve the form of Parcel Lease to be used for SWL 337 Development Parcels, including a Board delegation of authority to the Port Commission to modify terms of the Parcel Lease form for individual Development Parcels to respond to changing market conditions, requirements of construction and permanent lenders over time, and options to adjust payment and default provisions to encourage successful and expeditious build-out, so long as the Port will receive then-current fair market value and the other essential business terms are consistent with the form approved by the Board. As each vertical development parcel is released from the Master Lease, Master Developer will assign vertical development rights and obligations under the DDA to the selected Vertical Developer, and the Port will enter into a separate Parcel Lease with each Vertical Developer consistent with the approved form and its delegated approval. The Parcel Lease form will be consistent with this Term Sheet and applicable terms of comparable long-term ground leases between the Port and its development partners, and include or address: i. the maximum term permitted under Senate Bill 815 (as amended, "SB 815"); ii. triple net provisions requiring the Vertical Developer to pay all taxes, assessments, and expenses for the parcel; iii. compliance with the Planning Code (as amended to incorporate a special use district for the Project) (the "SUD"), the Waterfront Land Use Plan (as amended), design guidelines for the Project, and the DDA, subject to additional review and approval by Master Developer to assure quality and coordination among all Development Parcels in the Project; iv. a performance schedule for commencement and completion of vertical development (the "Parcel Performance Schedule") within a reasonable period, subject to extension for force majeure, and

	with the potential for additional extensions under specified conditions, and giving the Port the ultimate right to terminate the Parcel Lease, subject to mortgagee protection provisions, if the Vertical Developer does not meet the Parcel Performance Schedule after notice and an opportunity to cure; v. covenants to provide information and otherwise cooperate with the City and the Port as necessary for Master Developer to satisfy its disclosure obligations with respect to any public financing; vi. a mechanism by which a Vertical Developer may choose to receive IFD financing of pilings to stabilize filled land, conditioned on an appropriate increase in base rent, as determined by a real estate economics consultant selected according to procedures in the Parcel Lease; vii. standard provisions such as allowed and prohibited uses; indemnification (including hazardous materials obligations) and insurance; limitations on assignment and subletting; maintenance and repair obligations, including obligations following a casualty; and surrender obligations; viii. reasonable and customary mortgagee protection provisions and mechanisms providing for notice and an opportunity to cure: (1) to Master Developer, any mortgagee, and the Port with respect to any tax or special tax default before foreclosure; and (2) to Master Developer or a mortgagee with respect to the Vertical Developer's failure meet the Parcel Performance Schedule; ix. events of default and cure rights, and providing each party with appropriate remedies for defaults or events that with the passage of time and failure to cure within any applicable cure period would be defaults by the other party, including the possibility of early termination; and x. other terms as necessary to accomplish cost-effective public financing as contemplated in the Financing Plan, which may include provisions to protect the interests of the bond trustee similar to

	mortgagee protection provisions.
5. Phasing	The parties anticipate that the Project Site will be developed in phases (each a "Phase"), as shown conceptually in **Exhibit C** (Illustrative Phasing Plan). a. Each Phase will consist of one or more Development Parcels and associated areas for streets and open spaces. Phasing for Pier 48 will be determined when more information about its use and tenant requirements are known. i. The DDA will provide specific requirements for each Phase of the Project, so that delivery of public benefits, including development of parks and the Parking Structure, will be fairly distributed among adjacent Phases, assuring that these benefits are completed concurrent with the completion of associated vertical development of each Phase. The DDA will designate, or provide a procedure for designating, two Development Parcels that Master Developer will be required to accept to begin Phase 1 (each, a "Lead Parcel"). ii. The Project Phasing Schedule will take into account the bonding and other financial capacity of each Phase and provide for a construction and completion schedule for both horizontal and vertical development of each parcel and each Phase. b. Master Developer and the Port will work cooperatively to decide when vertical development on each Development Parcel should begin, with the goal of spurring the development of the Project as promptly as market conditions allow. As provided in **Section 18** (Public Offerings), the Port will have the right to offer a Development Parcel through public solicitation if Master Developer fails to exercise its option.
6. Statutory, Regulatory, and Plan Amendments	The Port and Master Developer will apply jointly to secure state and regional approvals as necessary. a. The Bay Area Seaport Plan of the Bay Conservation and Development Commission ("BCDC") and the San Francisco Bay Area Metropolitan Transportation Commission designates Pier 48 as a future site for neo-bulk cargo shipping and the eastern six acres of

	SWL 337 adjacent to Pier 48 (and Pier 50) as a "port priority" area to provide backland area for potential cargo operations. The Project will require an amendment to the Bay Area Seaport Plan to allow for the proposed uses at Pier 48 and Seawall Lot 337. b. BCDC's Special Area Plan for the San Francisco Waterfront imposes certain replacement fill limitations (known as the "50% rule") and water-dependent use restrictions on Pier 48. Seismic upgrades to Pier 48 may trigger a need to amend the Special Area Plan. c. All development within 100 feet of the shoreline will be subject to BCDC approval. d. SB 815 imposes the following conditions to any nontrust lease of SWL 337: i. The Port must obtain the amendment to the Seaport Plan described above; ii. The Port must obtain State Lands' prior approval of the conclusions of a Port study on the retention of trust uses (including public parks and walkways, restaurants, hotels, maritime training, sales, and rentals, and waterfront visitor-serving retail services) at SWL 337, the location of trust uses at SWL 337, Pier 48, and Pier 50, the transportation needs of the ballpark, and trust uses on nearby Port property. iii. State Lands must concur that the Port will receive fair market value for the lease and that the lease is consistent with the public trust (other than land use restrictions) and otherwise in the best interests of the State. e. To the extent necessary and after consultation with staff of State Lands and with Master Developer, the Port may seek technical amendments to the Burton Act and other legislation.
7. Zoning	a. SWL 337 is currently zoned MB-OS, and Pier 48 is zoned M-2. Master Developer will seek approval to rezone the Site by a new SUD for the Mission Rock Project under which flexible zoning controls will permit

	certain parcels to be developed for either commercial or residential uses to allow for development that responds to market conditions. i. Parcels B, C, and E are expected to be restricted to commercial use; ii. Parcel D will be zoned to allow for structured public parking with ancillary commercial uses; iii. Parcel K is expected to be restricted to primarily residential use above the ground floor; and iv. Pier 48 may be rezoned to restrict long-term use to uses compatible with the rest of the Mission Rock Project. b. The SUD will establish height limits ranging from 90 up to 380 feet, allowed density expressed as permissible floor area ratio ("FAR") limits, bulk limits, and other controls on development. More specifically with respect to building heights, up to two tall slender signature residential towers are anticipated, which could be from 320 up to 380 feet in height. Other buildings would range from about 90 up to 280 feet in height. Master Developer's preliminary proposal for height limits is reflected in **Exhibit D** (Conceptual Height Map). c. The Port and Master Developer will explore mechanisms to provide Master Developer with assurances that zoning changes for the Site will remain in effect through Project build-out, unless Master Developer consents to or seeks amendments. d. The Waterfront Land Use Plan will be amended to incorporate the SUD's development controls and limitations for the Site and set forth other development requirements, such as the role of the Waterfront Design Advisory Committee in the design review process. e. The Port will cooperate with Master Developer to develop design guidelines for Mission Rock that will inform design review and encourage Vertical Developers to: (i) emphasize the physical and visual access to the Bay and surrounding landmarks, reinforced by a pattern of development that lays multiple paths through the Project to the water; (ii) step building

	heights in relation to each other and to the waterfront to demonstrate a respect for their waterfront setting; and (iii) enliven and frame the public realm at the lower floors of buildings, while retaining on upper floors a form and profile that complement Mission Rock and the cityscape as a whole. f. Comprehensive planning and programming of ground floor spaces will address both the design and the nature of Mission Rock's retail, defining the public realm and neighborhood identity. A dynamic range of restaurants, cafes, boutique stores, grocery stores, bookstores, and other shops will only be possible through careful programming of the entire Site. In consultation with the Port and community, Master Developer will create a retail blueprint for locations and tenant types.. This comprehensive programming will address not only types of stores, but also the appropriate mix of local, regional, and national retailers. Minimum threshold requirements for local and regional operators will reduce the threat of homogeneity that otherwise might adversely affect the Project's retail success. This building-to-building variety will strengthen the pedestrian environment and establish an authentic neighborhood for San Franciscans and visitors to enjoy. g. The Project will be subject to all applicable development impact fees. The Transaction Documents, including the allocation of responsibility for any applicable mitigation and neighborhood improvement measures, will take into account payment of those fees to avoid double-charging. In the context of negotiations of Transaction Documents, the parties will explore allowing Master Developer or Vertical Developers, as applicable, to defer paying applicable development impact fees until the Port issues a certificate of occupancy, on terms and conditions generally consistent with the City's current fee deferral program (which is scheduled to sunset in July 2013).
8. Master Lease Terms	The SWL 337 Master Lease terms will be the same as those in Lease No. L-14980, with modifications generally as described below. a. <u>Base Rent</u>: Base rent will be $2.4 million. The Master Lease will provide for partial termination upon the release of each Development Parcel (and areas

	required for associated horizontal development) and a pro rata reduction in the $2.4 million base rent when the Port enters into each Parcel Lease. The revised base rent will reflect the available parking spaces on the remaining parcels subject to the Master Lease. b. Percentage Rent: Master Developer will be required to pay the Port 66% of gross lease revenues after allowed expenses. c. Term: The term of the Master Lease will end when all of the Development Parcels have been released for development. If the Master Lease is terminated early and the early termination would occur during a baseball season, the Master Lease will not terminate until the last day of the first full month following the end of that season or, at the Port's election, when: (i) the Master Lease term would have otherwise expired; or (ii) the Port has entered into contract with a parking operator or other tenant. d. Coordination with DDA: Technical changes may be required to coordinate the Master Lease with the DDA, including provisions such as mortgagee protection and restrictions on assignment and subletting.
9. Rent under Parcel Leases	The Parcel Leases will include rent provisions described briefly below. a. Reserve Rent: The Port has established a minimum of $3.5 million in annual base rent in the aggregate (the "Reserve Rent") for eight of the Development Parcels (each, an "Option Parcel"), excluding the two Lead Parcels described in **Subsection c** below, Parking Structure Parcel D, and Pier 48. The DDA will allocate the Reserve Rent among the Option Parcels, taking into account their projected use and FAR. The allocated Reserve Rent will set the floor for the annual base rent that the Port expects to receive under each Parcel Lease after deducting Development Rights Payments described in **Section 14** (Development Rights Payments). If the Port agrees to enter into a Parcel Lease with prepaid rent or with a greater proportion of rent as percentage rent, the Reserve Rent will be adjusted accordingly. The Port will not be required to enter into any Parcel Lease for an Option Parcel unless

	the Port has determined that the initial base rent that the Port will receive under the Parcel Lease will be equal to or exceed the Reserve Rent allocated to that Option Parcel. b. Initial Base Rent for Option Parcels: Initial annual base rent for each Option Parcel will be determined in relation to the amount of the Development Rights Payment and its fair market leasehold value ("Leasehold FMV"), as determined by valuation procedures described in **Section 17** (Master Developer's Option Rights). Generally speaking, the sum of base rent over the life of the Parcel Lease plus the amount of the Development Rights Payment should represent an Option Parcel's Leasehold FMV. A Vertical Developer may propose to pay reduced base rent or a greater proportion of rent as percentage rent during construction and pre-stabilization periods under the Parcel Lease, and if Port staff is reasonably satisfied that the Port would receive an economic benefit such as an increase in the value of the Option Parcel under the proposed rent structure, the proposal for that Option Parcel will be placed on the Port Commission's agenda at the earliest feasible opportunity. c. Prepaid Base Rent for Lead Parcels: The Lead Parcels will be transferred to Master Developer Affiliates by Parcel Leases under which rent will be fully prepaid, subject to **Section 10** (Port Participation in Capital Events) The parties will meet and confer before Project Approval and the close of the Transaction Documents to agree on the Development Parcels to be designated as Lead Parcels and to initiate the appraisal process with a goal of establishing Leasehold FMV within 90 days after the DDA effective date. The Leasehold FMV will be determined as provided in **Section 17** (Master Developer's Option Rights), except that the parties will instruct the appraiser(s) to determine the Leasehold FMV of the Lead Parcels assuming that rent is prepaid in full. The parties anticipate that they will designate as Lead Parcels the two parcels most appropriate to lead development of the Project, but will consider also whether the Port has obtained authorization from State Lands to sell any Trust Swap Parcels and whether the anticipated Leasehold FMV of the Lead Parcels is at least equal to the Total Entitlement Sum. The DDA will provide that the Port will enter into Parcel Leases for the

	Lead Parcels with the designated Master Developer Affiliates as soon as feasible and practicable after the Leasehold FMV has been determined. i. If the Leasehold FMV of the Lead Parcels determined as provided in **Section 17** (Master Developer's Option Rights) is equal to the Total Entitlement Sum, the Port's obligation to pay the Total Entitlement Sum to Master Developer will be satisfied in full by the Port's delivery of the Parcel Leases for the Lead Parcels. ii. If the Leasehold FMV of the Lead Parcels is less than the amount of the Total Entitlement Sum when the Port delivers the Parcel Leases to the selected Master Developer Affiliates (an "Upset Transfer"), the following will apply. 1. The Leasehold FMV of the Lead Parcels will be deemed to have been paid by the Port's delivery of the Parcel Leases for the Lead Parcels. Developer Return on the unpaid balance of the Total Entitlement Sum (the "Upset Shortfall") will be subject to the tolling and the other provisions of **Section 12** (Developer Return). 2. During the tolling period under **Section 12** (Developer Return), Master Developer may propose alternate mechanisms to fully satisfy the Port's payment obligations to Master Developer. If Port staff is reasonably satisfied that the proposal would fully or substantially satisfy the Upset Shortfall, the proposed revision will be placed on the Port Commission's agenda at the earliest reasonable opportunity. iii. If the Leasehold FMV of the Lead Parcels is more than the amount of the Total Entitlement Sum when the Parcel Leases close, the Port's obligation to pay the Total Entitlement Sum to Master Developer will be satisfied in full by the Port's delivery of the Parcel Leases for the Lead Parcels. Master Developer, at its option, will: (1) tender to the Port funds equal to any amount by which the Leasehold FMV of the Lead Parcels exceeds the Total Entitlement Sum for deposit into the Development Rights Account described in **Section 14**

	(Development Rights Payments); or (2) coordinate with the Port to create an accounting system reasonably satisfactory to the Port to track the accrual and application of Development Rights Payments. d. Base Rent Increases: Base rent under each Parcel Lease will escalate as follows: In every 10th lease year, annual base rent will be increased to 85% of the average of the sum of annual base rent plus percentage rent ("total rent") paid to the Port under that Parcel Lease over the immediately preceding three years. e. Percentage Rent under Parcel Leases subject to Competitive Solicitation: Each Parcel Lease will include percentage rent in a form dictated by use, as described below. Vertical Developers will be required to pay the Port the greater of percentage rent or base rent, as documented in periodic quarterly reports to the Port and subject to an annual reconciliation, all in a manner similar to that required in other comparable Port development leases. The amount of percentage rent for Option Parcels that are offered through a public solicitation (each, a "Parcel RFP") as described in **Section 18** (Public Offerings) will be determined generally as described immediately below. A Vertical Developer may propose to pay an alternative form of percentage rent under the Parcel Lease, and if Port staff is reasonably satisfied that the Port would receive an economic benefit such as an increase in the value of the Option Parcel under the proposed percentage rent structure, or that the proposal would otherwise meet the Port's revenue objectives for that Option Parcel, the proposal will be placed on the Port Commission's agenda at the earliest feasible opportunity. i. Retail: Beginning in lease year 16, the Vertical Developer must pay percentage rent in the amount of 15% of gross rental revenues payable to the Vertical Developer under its retail subleases. ii. Rental housing: The Vertical Developer must pay percentage rent based on adjusted gross income ("AGI") or net operating income ("NOI"), at the Vertical Developer's election, based on parameters that will be specified in the DDA and Parcel RFP

	(see **Section 18** (Public Offerings)). iii. Commercial/office: The Vertical Developer must pay percentage rent based on AGI or NOI, based on parameters that will be specified in the DDA and Parcel RFP. f. Percentage Rent under Parcel Leases for Option Parcels: Where an Option Parcel is to be acquired by a Master Developer Affiliate through the exercise of i Master Developer's option, the Master Developer Affiliate must collaborate with the Port to set base rent and percentage rent under the Parcel Lease based on: (i) the base rent as determined under **Subsection b** above; and (ii) the Master Developer Affiliate's vertical development pro forma incorporating base rent. The pro forma, which will be based on a model developed by a real estate economics consultant selected by procedures to be specified in the DDA, will be used to demonstrate that the Master Developer Affiliate's proposed percentage rent payments would equal the base rent in the year in which the building rents are projected to reach stabilization. The following example is for illustrative purposes only: • The Master Developer Affiliate has chosen to pay percentage rent based on AGI • Rent is projected to stabilize 7 years after the base rent commencement date • Base rent is $500,000 at stabilization • Projections show AGI will be $6.25 million at stabilization • Percentage rent will be set at 8% of AGI ($500,000 ÷ $6.25 million)
10. Port Participation in Capital Events	Except as provided below, each Parcel Lease and Purchase Agreement will include provisions for Port participation in any transfer or refinancing (either, a "capital event") that results in the Vertical Developer's receipt of proceeds after deducting its costs of acquisition, financing, development and capital improvement for the parcel, and transaction costs of the capital event ("Net Proceeds"). The DDA will define "Net Proceeds" in more detail for each type of capital event and will establish exclusions for affiliate transfers. a. Option Parcel Transfers: When the capital event is a Vertical Developer's transfer of an Option Parcel the

following will apply:

i. If the transfer closes before the date the first site or building permit is issued, the Vertical Developer will tender to the Port 100% of the Net Proceeds of the third-party purchase price and the Port will deposit the payment into the Development Rights Account.

ii. If the transfer closes on or after the date the Port first issues vertical development a permit, the Vertical Developer will tender to the Port 1.5% of the Net Proceeds.

b. Lead Parcel Transfers: When the capital event is a Vertical Developer's transfer of a Lead Parcel the following will apply:

i. If the Port transfers the Lead Parcel to the Vertical Developer in an Upset Transfer, the Port will not be entitled to participate.

ii. If the transfer closes before the earlier of the date the first vertical development permit is issued and 3 years after the date the Port tenders the Parcel Lease for the Lead Parcel, the Vertical Developer will tender to the Port 50% of the Net Proceeds of the transfer, and the Port will deposit the payment into the Development Rights Account.

iii. If the first transfer closes less than 10 years after the date the Port first issues a certificate of occupancy for the building, the Port will not be entitled to participate, but for any subsequent transfer that closes less than 10 years after the date the Port first issues a certificate of occupancy for the building, the Vertical Developer will tender to the Port 1.5% of the Net Proceeds.

iv. If the transfer closes 10 years or more after the date the Port first issues a certificate of occupancy for the building, the Vertical Developer will tender to the Port 1.5% of the Net Proceeds.

c. Trust Swap Parcel Transfers: Trust Swap Parcels that are sold to a Vertical Developer will be subject to a deed restriction providing for a contractual transfer fee on each sale after the initial sale of the parcel or,

	where the parcel has been subdivided, of each residential or commercial condominium. The transfer fee will be: (i) 1% of the sale price (after costs of sale only) of a residential condominium; and (ii) 1.5% of the Net Proceeds of commercial condominiums or parcels and multi-family rental buildings. d. Refinancing: When the capital event is a refinancing, the DDA will provide that the Port will be entitled to a transfer fee of 1.5% of the Net Proceeds of the refinancing. Net Proceeds will exclude any loan proceeds that are designated for investment and are actually invested in capital improvement of the parcel.
11. Horizontal Development Costs	As outlined in **Section 13** (Public Financing Mechanisms), public financing of Horizontal Development Costs will be based on the acquisition model under which Master Developer will be responsible for paying upfront for all Horizontal Development Costs, except to the extent that the City provides direct funding for any Public Facilities or Infrastructure. Master Developer will own all Infrastructure and Public Facilities for which it pays until they are delivered to and accepted by the City or Port, as applicable. The City or Port, as applicable, will be obligated to acquire Infrastructure and Public Facilities from Master Developer with acquisition payments. Acquisition payments will be sufficient to reimburse Master Developer for its Horizontal Development Costs and pay Developer Return. Acquisition payments will be funded from Development Rights Payments (including prepaid rent), proceeds of the sale of (any) Trust Swap Parcels, special taxes, Net Available Increment, and the proceeds of public financing in accordance with the Financing Plan. In addition, the Port may apply any other public sources of funds identified in the Financing Plan or Phase Budget (defined below in **Subsection b**) or that the Port otherwise determines in its sole discretion. The Port and Master Developer anticipate using public financing mechanisms funded by revenues generated by the Project to meet the Port's obligation to pay directly for or reimburse Master Developer's eligible Horizontal Development Costs, with the goals of reducing Project risks, accelerating Project benefits, and increasing Port participation payments and other benefits to the parties, Vertical Developers, and the public. A detailed Financing Plan that will be a part of the DDA will set forth all public financing mechanisms and phasing of the public financing

	that the parties anticipate using for Mission Rock development, including public financing mechanisms to be used for ongoing operating and maintenance costs of Public Facilities. a. "Horizontal Development Costs" will consist of "Hard Costs" and "Soft Costs" of horizontal development and predevelopment costs leading to Entitlement and Project Approval (the "Entitlement Costs"). The DDA will include detailed definitions and specify conditions and limitations that will apply to Horizontal Development Costs, but generally speaking will include expenses Master Developer actually incurs and pays in accordance with the DDA for the Infrastructure and Public Facilities. The DDA will also establish the extent to which any additional costs such as pilings installed on Development Parcels and project management fees will be deemed Horizontal Development Costs for the Phase Budgets, all subject to any legal limitations on the anticipated sources of financing for these additional costs. b. Before the first Development Parcel in any Phase is released for vertical development, Master Developer will provide the Port with a detailed, line item estimate of applicable Horizontal Development Costs for the Phase (the "Phase Budget"). Each Phase Budget must be consistent with the DDA, the Infrastructure Plan, and the Financing Plan and include: (i) an accounting of Horizontal Development Costs and Developer Return for previous Phases; and (ii) a proposal for allocating among Development Rights Payments (including prepaid rent), proceeds of any sale of Trust Swap Parcels, special taxes, Net Available Increment, and proceeds of public financing as sources of repayment. The Port will review the Phase Budget and indicate: (x) concurrence or disagreement as to the proposed allocation of sources to meet its payment obligations; and (y) the Port's intended debt issuance strategy to meet its payment obligations under the DDA, which it will implement in accordance with the DDA. Master Developer's proposal will be subject to the Port's reasonable approval before any Development Parcel in the Phase is offered for vertical development. The DDA will specify procedures for the Port's review of Phase Budgets and resolution of related disputes between

	the parties. c. The DDA will also provide standards and procedures for a third-party audit of all Horizontal Development Costs for each Phase and the entire Project.
12. Developer Return	Through research, the parties have determined a rate of Developer Return that reflects the risk of horizontal development in the Bay Area under current economic conditions. Developer Return will be calculated separately for Entitlement Costs and for each Phase of the Project. Developer Return will accrue on Entitlement Costs beginning on January 1, 2012. a. Except in the case of an Upset Transfer, Developer Return will be the greater of: (i) the amount that is equivalent to a 20% cumulative annual return on unreimbursed Horizontal Development Costs; and (ii) the amount that is 1.5 times the highest balance of Horizontal Development Costs outstanding for that Phase. Developer Return will accrue only on Horizontal Development Costs that Master Developer actually incurs and pays, subject to: (x) any cost caps established by guaranteed maximum price contracts where feasible; and (y) conditions specified in the DDA. b. In the case of an Upset Transfer of Lead Parcels, the following will apply to the Upset Shortfall. i. Developer Return will be tolled for 6 months after the Parcel Leases for the Lead Parcels close to provide the Port with an opportunity to marshal available funding sources to pay off the Upset Shortfall. The Port may take any measures to marshal funds or choose not to take any measures in its sole discretion, except that Master Developer must agree to any Port proposal to use Development Rights Payments payable in later Phases as a source of funds. ii. If the Port has not paid the full amount of the Upset Shortfall to Master Developer within the 6-month tolling period, then Developer Return on the Upset Shortfall will be the greater of: (i) one-half of the amount of the Upset Shortfall; and (ii) the amount that is equivalent to a 20% cumulative annual return on the Upset Shortfall from the date of the Upset

	Transfer, subject to a cap equal to the amount of the Upset Shortfall. When accrued Developer Return reaches the cap, the Port will identify the sources from the Site (which may include rent credits) that it anticipates using to satisfy this payment obligation expeditiously. The following example is provided for the purpose of illustration only: • Assume $30 million in Entitlement Costs and Development Rights Payment of $25 million for the Lead Parcels, leaving an Upset Shortfall of $5 million. • If the Port pays Master Developer 6 months and a day after the Upset Transfer date, then the payment to Master Developer would be $7.5 million representing $5 million of return of equity applied to unreimbursed Horizontal Development Costs and $2.5 million of Developer Return. • If the Port is unable to pay for an extended period, Developer Return continues to accrue at 20% until it reaches the $5 million cap, and the Port's total payment obligation to Master Developer would be $10 million. c. As an incentive for Master Developer to implement the Project and maintain ongoing operations in a manner that will maximize lease revenues to the Port, Master Developer will receive 20% of the amount by which the total rent the Port receives each year from all parcels at SWL 337, excluding participation in capital events, exceeds $4.5 million, without escalation, for 45 years beginning in the year in which total rent first exceeds $4.5 million.
13. Public Financing Mechanisms	The DDA will describe in greater detail principal public financing mechanisms being considered to finance Horizontal Development Costs, address the impacts of public financing (and tax-exempt debt in particular) on the Project, and provide for ongoing operations and maintenance costs of Public Facilities. Before any public debt is issued, the parties will enter into an

	Acquisition Agreement, which will specify the procedures and conditions for the City's purchase of or direct payment for Infrastructure and Public Facilities with public financing and any other available public sources of funds. Currently, the primary financing mechanisms being considered are: a. Community Facilities District: The City would form a single community facilities district ("CFD") over the entire Site in accordance with the Mello-Roos Community Facilities Act of 1982, with improvement areas annexed to the CFD at each Phase. Special taxes will be levied against the leasehold and fee interests in taxable parcels. The DDA will authorize two tranches of CFD bond debt; the first would be used to pay directly for or reimburse Master Developer for its Horizontal Development Costs and pay a portion of Developer Return to be determined after consultation between the parties; the second would be available to pay for a portion of waterfront infrastructure to protect the Project from perils associated with climate change and sea level rise. The City will consult with Master Developer on the timing of CFD debt issuances before horizontal construction for each Phase begins, but the City will retain sole discretion over timing and other conditions of debt issuance. The parties anticipate that CFD debt will be issued in coordination with horizontal and vertical development schedules and will be repaid by special taxes paid by private landowners and ground lessees and, subject to conditions to be specified in the DDA, by Net Available Increment (as defined in **Subsection b** below). The rate and method of apportionment of special taxes ("RMA") for the CFD will establish a maximum tax rate for each taxable parcel, differentiating between residential and non-residential and developed and undeveloped parcels and specify the order in which special taxes will be levied against different types of parcels. The RMA will be developed by the Port's special tax consultant, in consultation with Master Developer, Port and City staff, and other consultants selected by the Port or City. The RMA may provide for the maximum rate for special taxes to escalate over time. The Port and Master Developer will agree upon

		a maximum tax burden, taking into account ad valorem property taxes, the proposed special taxes for the CFD, and any overlapping special taxes and assessments.
	b.	Infrastructure Financing District Project Areas: In early 2013, the Board is expected to consider adopting "*Guidelines for the Establishment and Use of an Infrastructure Financing District with Project Areas on Land under the Jurisdiction of the San Francisco Port Commission*" (the "Port IFD Guidelines") substantially in the form and substance attached as **Exhibit G**. Consistent with the Port IFD Guidelines, if adopted, the City would form a single infrastructure financing district ("IFD") consisting of all Port property ("waterfront district") in accordance with Government Code sections 53395-53397.11. Following CEQA review, the City would then consider formation of project-specific project areas and adoption of project-specific infrastructure financing plans (each, an "IFD financing plan"). The City may seek judicial validation of one or more of the formation of the waterfront district, the allocation of tax increment to the waterfront district, and the issuance of tax increment bonds, and, if so, Master Developer will cooperate reasonably with the City in bringing the validation action(s). The IFD financing plans will authorize tax increment from the project area and allocated to the waterfront district to finance costs of Infrastructure and Public Facilities to be specified in the adopted IFD financing plans. Costs of Pier 48 Rehabilitation (excluding any costs that are the obligation of the Pier 48 tenant under the Pier 48 lease) and pilings installed on Development Parcels will also be eligible uses of tax increment under the IFD financing plans. In this Term Sheet, "project area" means a project area consisting of any portion of the Site. Tax increment may be used: (i) to pay Horizontal Development Costs on a pay-as-you-go basis; (ii) to service tax increment bond financing used to pay Horizontal Development Costs; (iii) to repay CFD debt; and (iv) for any other purpose authorized by IFD law. Vertical Developers will be required to pay any shortfall in anticipated property taxes caused by a downward reassessment of the Development Parcel

	subject to their Parcel Leases through a levy of special taxes. "Net Available Increment" will consist solely of the City's share of available tax increment from the project area that the City receives from the Site, subject to limitations under IFD law, the Port IFD Guidelines, and the IFD financing plan. No tax increment from the project area that is allocated to local school or college districts or other taxing entities will be allocated to the waterfront district under the IFD financing plan for the project area. To the extent permitted by law, Net Available Increment will be used to reimburse Master Developer for its Horizontal Development Costs. The base year for the project area will be the fiscal year in which the Board adopts the ordinance approving the IFD financing plan unless the adopted IFD financing plan for the project area specifies otherwise. The Port will seek Board approval of an IFD financing plan under which up to $0.65 per property tax dollar of Net Available Increment from the project area will be allocated to the waterfront district for the Project beginning in the fiscal year following the base year and will be allocated to the waterfront district for 45 years from the date the waterfront district actually receives $100,000 of Net Available Increment from the project area. The Summary Pro Forma attached as **Exhibit E** assumes that $.65 per property tax dollar of Net Available Increment is allocated to the Project. Until IFD bonds are issued and to the extent that Net Available Increment from the project area has not been pledged for debt service or other Project obligations, the Net Available Increment allocated to the waterfront district will be available to reimburse Master Developer for Horizontal Development Costs on a pay-as-you-go basis. c. <u>Bonds</u>. The City will determine in its sole discretion the timing, amounts, and terms of any bonds that it issues for the Project, but agrees that any bond issuance will be made after consultation with Master Developer, consistent with terms and conditions to be specified in detail in the DDA. Bonds will be issued consistent with the Port's payment obligations under the DDA, applicable federal tax law and regulations,

		other applicable law, and any Acquisition Agreement executed by the Port and Master Developer. The City intends to issue bonds as early in the development process as feasible to limit the Port's reimbursement obligation to the extent possible. One possible means of doing so is the issuance of CFD bonds early in each Phase of the Project, subject to municipal debt policy limitations. Under the City's policy, the City may issue bonds when the assessed value of the land and improvements is at least three times greater than the principal amount of the bonds, or any higher value-to-debt ratio required by bond underwriters. CFD bonds will be issued in amounts that take into account the maximum special tax rate and debt service coverage ratios required by the City's debt policy and any bond indenture. Bonds that the City issues for this purpose will be secured by a pledge of special taxes from the CFD (for CFD bonds), or of Net Available Increment (for IFD bonds), and by the funds and accounts established under the debt issuance instrument. Under no circumstances will any bondholder have recourse to either the City General Fund or the Port Harbor Fund. The DDA will specify certain Events of Default (to be defined in the DDA) that will excuse the City from issuing bonds, levying and applying special taxes to the Project (except to service previously issued CFD bonds), or allocating Net Available Increment to the waterfront district.
	d.	Maintenance Districts: The City anticipates creating a maintenance CFD over the entire Site, with areas annexed to the district as each Phase is developed. Maintenance special taxes levied against each taxable Development Parcel would provide pay-as-you-go funds for operating and maintenance costs of certain Public Facilities to be specified in the DDA and the Financing Plan.

14. Development Rights Payments	Prepaid rents under Parcel Leases (each, a "Development Rights Payment") will provide an important source of funds from which Port will reimburse Master Developer's Horizontal Development Costs and pay Developer Return. a. The parties will use each Phase Budget described in **Section 11** (Horizontal Development Costs) to assist in determining the amount of the Development Rights Payments that Vertical Developers will be required to pay as a condition to entering into Parcel Leases for Option Parcels in the Phase. The parties will take into consideration: (i) the amount of Horizontal Development Costs and anticipated accrual of Developer Return for the Phase; (ii) any outstanding Horizontal Development Costs and Developer Return from previous Phases; and (iii) pay-as-you-go special taxes, Net Available Increment, and net proceeds of CFD bonds that are conservatively projected to be available for the Phase. The Phase Budget will include Master Developer's proposal for the amount of the Development Rights Payment for the Phase and a reasonable allocation among the parcels in the Phase. The DDA will provide mechanisms for the parties to adjust the amounts and allocation of Development Rights Payments within the Phase after receiving the appraisal for the first parcel and at other times by agreement. b. Development Rights Payments (except where credited against Entitlement Costs) and, if applicable, the proceeds of the sale of any Trust Swap Parcel, will be deposited into a deposit account established with a local branch of a financial institution acceptable to both parties (the "Development Rights Account"), subject to a control agreement. The control agreement will set forth conditions under which distributions from the account (each, a "Distribution") may be made. c. The funds will be held and will be disbursed only according to the written, joint instructions of the parties in accordance with the DDA and control agreement. The DDA and control agreement will provide for Distributions to be made immediately after receipt of any Development Rights Payment, and applied as follows:

	i. first to pay any accrued Developer Return; and ii. then to reimburse Master Developer for any unreimbursed Horizontal Development Costs. d. If funds in the account are available at any time when the Port's payment obligations for Developer Return and Horizontal Development Costs are satisfied, the parties may elect to: i. pay directly for Horizontal Development Costs of the Phase then in development; ii. hold the funds for any future Phase until completion of the horizontal development for the entire Project ("Final Completion"); or iii. defer any further Distributions for future payments to Master Developer. e. Periodically, but no less frequently than at the inception of Phase 2 and of each subsequent Phase, the parties will review the Horizontal Development Costs incurred and Developer Return accrued and the application of Distributions and other Port sources of funds as specified in the Phase Budget, and reconcile these figures to the extent practicable, according to procedures that will be set forth in the DDA. Based on these figures, the parties will agree on an amount to be retained in the Development Rights Account to pay Developer Return until a final accounting after Final Completion can be completed, taking into account public financing and other sources available to reimburse Horizontal Development Costs. f. After Final Completion, Distributions of any funds then remaining in the Development Rights Account will be made in the following order of priority, until all funds have been disbursed: i. to Master Developer until Master Developer has been paid in full for all accrued Developer Return; then ii. to Master Developer to pay unreimbursed Horizontal Development Costs; then

	iii. to pay down or create additional reserves for any existing or anticipated public financing for the Project; then iv. to the Port's Harbor Fund.
15. Open Spaces, Parks, and Recreation	As part of the Public Facilities, Master Developer will develop major new parks and open spaces connecting Mission Rock with surrounding neighborhoods and the waterfront. The development of these Public Facilities will be distributed among the Phases so that parks and open spaces are generally completed concurrent with the completion of appropriate adjacent vertical development. Under Master Developer's current proposal for phasing, as shown in **Exhibit C** (Illustrative Phasing Plan), China Basin Park would be included in Phase 2 and Mission Rock Square would be provided in Phase 3. Parks and open spaces will be owned by, and will remain under the jurisdiction of, the Port, and will be managed and programmed by Master Developer, subject to Port approval and conditions of the BCDC major permit applicable to the Site. Maintenance of the parks and open spaces will be funded by special taxes imposed on Vertical Developers through the CFD. These parks, totaling approximately 8 acres, are described below. i. China Basin Park, a 5-acre regional waterfront park located on China Basin across from AT&T Park, will include a great lawn open space and special event area, a waterfront café with outdoor seating, a junior baseball field, gardens and picnic areas, and a promenade connection to Channel Plaza. ii. Mission Rock Square will be located at the heart of Mission Rock. The Square will include a large multi-use lawn, plaza, and café pavilion. The Square will be framed by a mix of residential and commercial uses, including ground-floor retail. iii. Channel Plaza will be a hardscaped ½-acre plaza set upon an active wharf with views of working maritime vessels and other marine uses.
16. Parking Structure	SWL 337 is currently used as a surface parking lot that provides a substantial amount of parking for games and special events at AT&T Park. In light of the need for parking

	to support AT&T Park, and in recognition of soils conditions that limit the construction of subsurface parking: a. The Project includes a Parking Structure on Parcel D with approximately 2,300 spaces that will support new development and maximize shared parking for AT&T Park. The Parking Structure will be developed in an early Phase so that structured parking will be available for the Project, ballpark, event and other public parking needs as available surface parking is lost. b. Street parking and nearby sites external to the Site where public parking is available will be considered when evaluating the parking needs of AT&T Park and the Project during all Phases. c. The San Francisco Municipal Transportation Agency ("SFMTA") has agreed to explore the feasibility of SFMTA financing and operating the Parking Structure. Master Developer acknowledges that any relationship with SFMTA should it decide to finance and operate the Parking Structure may include additional conditions to ensure a successful operation. Should SFMTA conclude that the Parking Structure is not feasible as an SFMTA project, other potential sources of financing and other measures needed to make the Parking Structure financially feasible will be explored. For example, should the Parking Structure be offered for development to a Vertical Developer: (i) the Vertical Developer may be relieved of any obligation to make a Development Rights Payment; and (ii) rent may be abated until construction debt is fully retired and the Vertical Developer has received a reasonable rate of return on its equity. d. Financing for the Parking Structure may be bifurcated so that AT&T Park season ticketholders have the opportunity to reserve parking spaces. Any reserved parking arrangement would be negotiated with reference to the financing plan for the Parking Structure and applicable limitations of federal and state tax law if SFMTA finances any portion of the Parking Structure on a tax-exempt basis. e. The Port does not expect to provide any public financing for the Parking Structure except CFD bond financing that will be repaid by special taxes levied on

	the taxable parcels at the Site or taxable parcels off-site that will benefit from the Parking Structure.
17. Master Developer's Option Rights	Master Developer, itself or through designated Master Developer Affiliates, will have options to enter into Parcel Leases for and to vertically develop the Option Parcels when they are offered for vertical development on conditions described in this Section. a. Market Conditions Consultation: The DDA will describe procedures by which the parties will meet and confer and, with the assistance of a real estate professional, decide when market conditions support vertical development of an Option Parcel, based in part on the anticipated Leasehold FMV of the Option Parcel. If (i) the required amount of the Development Rights Payment has been determined; (ii) the parties have agreed to proceed with development of an Option Parcel; and (iii) Master Developer has indicated its preliminary willingness to exercise its option, contingent on its Leasehold FMV, the parties will begin an appraisal process to confirm the Option Parcel's Leasehold FMV. b. Fair Market Rental Value Determination: Once they have decided to proceed with development of an Option Parcel, the parties will issue joint instructions in a form previously approved by State Lands and attached to the DDA to a member of the Appraisal Institute who meets specified qualifications ("Qualified Appraiser") to prepare an appraisal report. If the parties agree on the value conclusion, the appraisal report will be final for the purpose of the option. Either party may dispute the appraisal report and each party will then have the right to engage another Qualified Appraiser to prepare an appraisal report using the same instructions. Currently, the parties anticipate that appraisal disputes will be resolved as follows: i. If the difference between the parties' value conclusions is 10% or less of the higher value, then the Leasehold FMV will be the average of the two values. ii. If the difference between parties' value conclusions is greater than 10% of the higher value, then the parties will select a third Qualified Appraiser to

	perform a third appraisal using the same instructions, and the Leasehold FMV will be established as follows: 1. If the difference between the value conclusion in the Port's appraisal and the third value is 10% or less, then the Leasehold FMV will be the average of those two values. 2. If the difference between value conclusion in Master Developer's appraisal and the third value is 10% or less, then the Leasehold FMV will be the average of those two values. 3. If neither the Port's nor Master Developer's value conclusion is within 10% of the third value, or if both the Port's and Master Developer's value conclusions are within 10% of the third value, the third value will be deemed Leasehold FMV. c. <u>Port's Right to Put Parcel</u>: If the Port believes after consultation as described above that Leasehold FMV is at least equal to the allocated Reserve Rent for an Option Parcel, the Port will have the right to require Master Developer to exercise or lose its option as follows. The Port will exercise this right by delivering notice to Master Developer (a "Put Notice") that the Port will offer the Option Parcel to the market as described in **Section 18** (Public Offerings) unless, within the time specified in the DDA (the "Put Exercise Period"), Master Developer exercises its option by beginning the appraisal process described above. i. If Master Developer declines to exercise its option within the Put Exercise Period, then the Port will have the right to offer the Option Parcel through a Parcel RFP as described in **Section 18** (Public Offerings). Master Developer will have the right to respond to the Parcel RFP as provided below. 1. During the Put Exercise Period, Master Developer may submit to the Port an offer to enter into a Parcel Lease for an Option Parcel for a sum that is less than Leasehold FMV. The Port must issue the Parcel RFP within a time period to be specified in the DDA. If Master

	Developer's proposal is the highest offer and is equal to or exceeds the reserve price that the Port set for the Parcel RFP, the Port will offer the Parcel Lease to Master Developer for the amount specified in its proposal. 2. If Master Developer's proposal is not the highest offer, the Port must enter into a Parcel Lease for the Option Parcel within a time period to be specified in the DDA. If the Port does not enter into the Parcel Lease with the third party Vertical Developer within this time, then Master Developer's option right as to Option Parcel will be restored. ii. If Master Developer exercises its option right for the Option Parcel within the Put Exercise Period by instructing a Qualified Appraiser to prepare an appraisal of the Option Parcel but does not complete the appraisal process or timely close the Parcel Lease, Master Developer will lose its option right. The Port will have to right to offer the Option Parcel by a Parcel RFP without first obtaining an appraisal, and Master Developer will not be entitled to submit a proposal in response to the Parcel RFP. d. <u>Proposal to Prepay Rent for Option Parcels</u>: In addition to prepaid Parcel Leases for the Lead Parcels, Master Developer may seek the Port's consent, which it may grant or withhold in its sole discretion, to prepaid Parcel Leases under which, in lieu of the Development Rights Payment allocated to the parcel in the Phase Budget, the Leasehold FMV of an Option Parcel will be prepaid, with payment credited as provided in **Section 14** (Development Rights Payments).
18. Public Offerings	Certain Option Parcels may be offered by a Parcel RFP as a means to establish the Leasehold FMV. The solicitation process will be described in the DDA and be conducted by a broker selected by the parties through procedures described in the DDA. After consultation with Master Developer, the Port will specify in its Parcel RFP the amount of the required Development Rights Payment, the reserve price, preferred use(s) and product type on the Development Parcel, and requirements regarding percentage rent. The Parcel RFP

	will define and establish parameters for calculating AGI and NOI and require each respondent to submit a pro forma according to a specified format. The Port may reject any proposal that does not meet financial requirements specified in the Parcel RFP. a. The Port may offer any Trust Swap Parcel by Parcel RFP unless Master Developer offers to pay a premium of 5% above its fair market value as established by an appraisal subject to the same procedures (but different joint instructions) as specified in **Section 17** (Master Developer's Option Rights"). b. If Master Developer or its designated Master Developer Affiliate fails to close escrow after exercising an option, or Master Developer materially defaults on its horizontal development construction or payment obligations during the construction period, then the Port will have the right (but not the obligation) to issue a Parcel RFP for a subsequent Development Parcel of equal or lesser projected value without first offering Master Developer an option. The DDA will provide greater detail on the circumstances under which this right would arise.
19. Other Sources	The City, the Port, and Master Developer will cooperate to explore state and federal incentives that might be available for horizontal and vertical construction of the Project, such as for brownfield remediation, transit-oriented development, and sustainability pilot programs. At its sole option, the Port will have the right to use any source of funds that is less costly than Developer equity to reimburse Master Developer's Horizontal Development Costs. The Port's options, in coordination with the City, could include: a. placing on the ballot an initiative to approve a parks general obligation bond that would include funds for certain public open spaces at Mission Rock. b. continuing to explore with SFMTA the possibility of its building, financing, and operating the Parking Structure. c. exploring with City financial officers and other City departments the feasibility and desirability of using other public financing mechanisms that might be employed to assist in financing the Project, such as:

	i. mortgage revenue bonds; ii. revenue bonds for infrastructure; and iii. GreenFinanceSF bond financing for energy and water conservation and renewable energy improvements to buildings.
20. Affordable Housing	New rental housing built for the Project will meet City inclusionary housing requirements under Planning Code §§ 415.1-415.11 for onsite inclusionary housing for 15% of the units at 55% of area median income as determined by the U.S. Department of Housing and Urban Development for the San Francisco area ("AMI"). Master Developer will work with the City, through the Mayor's Office of Housing, the Office of Economic and Workforce Development, and the Port's Planning Division to investigate alternative potential ways to meet current requirements. These alternatives may include a sliding scale that specifies a higher percentage of units at higher levels of AMI. Affordable housing will be delivered in a balanced manner throughout the phasing of the Project. A higher percentage may be delivered in early Phases and counted towards overall requirements, but delivery of affordable units may not be deferred to later Phases of the Project, except at the City's direction, in its sole discretion. Residential condominiums, if built, will not include inclusionary units. Instead, the Vertical Developer will pay in lieu fees for the Development Parcel.
21. Sustainability	Master Developer will implement a Sustainability Plan that will provide a comprehensive approach to achieve the Project goal of becoming a model of sustainability by exhibiting the concepts and practices of sustainable community development throughout the life span of the Project. Master Developer will collaborate with the City and the Port, specifically, the Department of the Environment, the Planning Department, and the Port Planning Division, to develop the Sustainability Plan. Master Developer and the City will pursue status for the Project as a Type I Eco-District to help meet the City's and Master Developer's environmental goals. A Type 1 Eco-District is characterized by a large amount of undeveloped

	land typically owned by a single property owner. In general, Type 1 Eco-Districts enable horizontal infrastructure development to be implemented in advance of vertical development to help optimize Eco-District goals. This type of Eco-District maximizes efficiencies in the delivery of goods provided by infrastructure through district-scale systems. The Planning Department has identified the following potential Type 1 Eco-Districts: the Transbay Transit Center District Plan Area, Pier 70, and Mission Rock. The Project team will study the technical and financial feasibility of elements of an Eco-District Plan in the course of environmental review to allow one or more of the strategies below to be analyzed in the environmental impact report. Master Developer and the City will develop an integrated Eco-District Plan that identifies measurable goals, standards, and performance metrics. This Eco-District Plan will be included in the DDA. Multiple sustainable site approaches will be considered from the outset of horizontal development, to enable vertical development design proposals to exceed compliance with Port Building Code requirements and achieve Project goals for integrated sustainable design and a low carbon community. The following have been investigated and will continue to be analyzed for potential inclusion into Mission Rock, in addition to future ideas and technological advances: • centralized energy • Bay source cooling • cogeneration plant • recycled water sharing system • photovoltaics and solar thermal • wind power • centralized waste system • reduction of vehicle miles traveled (see **Section 22** (Transportation Demand Management Plan)) Regardless of which of the above approaches are implemented at the Site, Master Developer and the Port will strive to be leaders in the realm of long term sustainability planning and design, and the final strategies employed on

	the Site will follow the direction of Master Developer's investigation as noted above, including the goal of an Eco-District Plan.
22. Transportation Demand Management Plan	Master Developer will implement a Transportation Demand Management Plan ("TDMP") that will provide a comprehensive strategy to manage the transportation demands created by the Mission Rock Project. The mixed-use nature of the Project's land use program, its rich transit options, and proximity to San Francisco's resources and services mandate that single-occupancy vehicle trips be reduced. Market-based pricing strategies for parking will be supported by innovative programs to reduce automobile dependence, and promote the use of public transit. The transportation strategy at Mission Rock is based on reducing vehicle miles traveled by fostering multiple modes of sustainable transportation, emphasizing pedestrian, bicycle, and public transit options. The TDMP will incorporate smart and sustainable transportation planning principles to address the transportation needs of the Project, consistent with the City's Transit First, Better Streets, Climate Action, and Transportation Sustainability Plans and Policies. The TDMP will outline a series of implementation strategies intended to effectively manage the transportation demands created by the Project. The goal of these strategies will be to minimize the Project's dependence on the automobile and to optimize the inclusion of non-auto travel modes providing access to the Project. The parties agree to explore with SFMTA the feasibility of its construction, operation, and maintenance of an E Line loop in the vicinity of the Site to enhance public transportation options. The issue of feasibility may include a discussion of providing a financing mechanism under which landowners benefitting from the loop would contribute to the cost of construction, operation, and maintenance of the loop.
23. Jobs and Equal Opportunity	The build-out of the Project is anticipated to create thousands of construction and permanent jobs, and the planning, design, and construction work will provide substantial contracting opportunities for local contractors and professional service firms as well as countless businesses, employers, and organizations. Master Developer will implement a Jobs and Equal Opportunity Program designed to assure that a portion of the jobs and contracting

	opportunities generated by the Project be directed, to the extent possible based on the type of work required and consistent with collective bargaining agreements, to local, small, and economically disadvantaged companies and individuals.
24. Pier 48 Lease Terms	After receiving more information about the proposed uses and improvements to the facility and further engineering due diligence, the parties will negotiate detailed terms for Pier 48. Lease terms will be substantially as described below, with rents reflecting the Port's parameter rent for similar shed structures. Initial Term: 30 years Options: Options to extend the term to a total of 66 years may be exercised only after the City and the Port have established policies and procedures to address climate change and sea level rise, and the measures necessary to mitigate the associated risks that will be implemented at Pier 48 and their respective obligations with respect to those measures Premises: Approximately 181,200 square feet of shed space and approximately 31,300 square feet of paved yard space Base Rent: $1.8 million annually, payable in monthly increments, based on the Port's parameter rent schedule for similar shed structures, with a potential for reduced base rent if the tenant performs eligible capital improvements Base Rent Adjustment: Periodic increases to base rent would be provided, with a collared market reset for each option Participation Rent: A percentage of gross proceeds from restaurant and retail sales similar to other Port retail and restaurant leases Eligible Capital Improvements: • core & shell improvements including roof repair • apron repair • utility upgrades

	• substructure repair • seismic (joint) upgrades Uses: Light industrial/manufacturing, barging, general office and storage supporting onsite use, retail, restaurant, tours, events, event parking and maritime operations, including continued operations on the south apron, and public access Tenant Improvements: To be determined by tenant Maintenance and Repairs: Tenant would be responsible for ongoing maintenance and repairs to the Pier 48 premises (such as the roof, roof membrane, exterior walls, doors, etc.), at its sole cost and expense Substructure: The Port believes that the current substructure is adequate to support proposed use for the 30-year initial term. Further due diligence is required to verify this condition. Responsibility and funding for future substructure upgrades are subject to further negotiation. IFD: Pier 48 IFD proceeds may be used onsite to fund Pier 48 Rehabilitation and possibly other capital improvements that are eligible under IFD law. IFD proceeds from SWL 337 that are not required to pay for Infrastructure or Public Facilities on SWL 337 may also be available for these costs. The Port and Master Developer will cooperate to identify other sources of funds, including federal historic tax credits, on terms to be described in the DDA and the Financing Plan, if appropriate. Sea Level Rise: An analysis will be undertaken to determine what measures can be implemented to protect Pier 48 from sea level rise and base flood conditions. IFD and CFD proceeds may be available to fund these improvements. Regulatory Approvals (anticipated): BCDC Special Area Plan amendment to lift water-dependent use

	restriction and certain replacement fill limitations BCDC major permit amendment State Lands public trust consistency determination (for exercise of options extending lease term to 66 years)

Term Sheet Non-Binding

Under the San Francisco Charter, no officer or employee of the City has authority to commit the City to the Project until the appropriate City departments and agencies have approved the transaction. Except as set forth in the ENA, no legal obligation will exist with respect to the transactions described in this Term Sheet, unless and until the parties have negotiated, executed, and delivered mutually acceptable agreements based upon information produced from the CEQA process and other public review and hearing processes and subject to all applicable governmental approvals. Before entering into final Transaction Documents, the Port and the City retain the absolute discretion to: (a) make modifications to the Project and any proposed agreements as are deemed necessary to mitigate significant environmental impacts; (b) select other feasible alternatives to avoid such impacts; (c) balance benefits against unavoidable significant impacts before taking final action if identified significant impacts cannot otherwise be avoided; or (d) determine not to proceed with the proposed Project based upon the information generated by the environmental review process. Before entering into final Transaction Documents, Master Developer also retains the absolute discretion to make modifications to the Project and to determine not to proceed with the proposed Project.

MASTER DEVELOPER:

SEAWALL LOT 337 ASSOCIATES, LLC, a Delaware limited liability company

By: _____
Name: _____

Its: _____

Date: _____

PORT:

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, operating by and through the SAN FRANCISCO PORT COMMISSION

By: _____
Monique Moyer
Executive Director

Date: _____

Endorsed by Port Resolution No.
and Board Resolution No.

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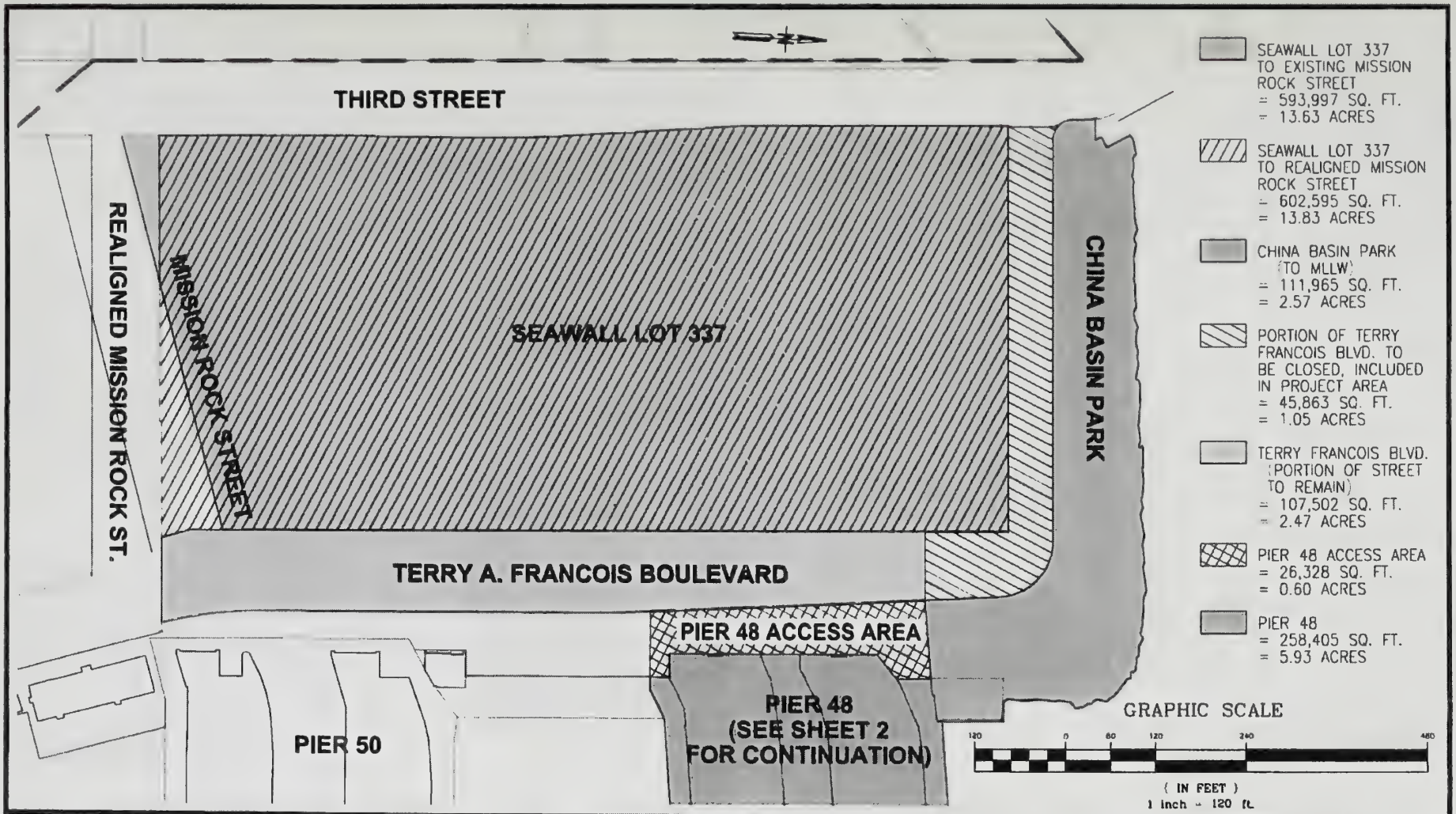
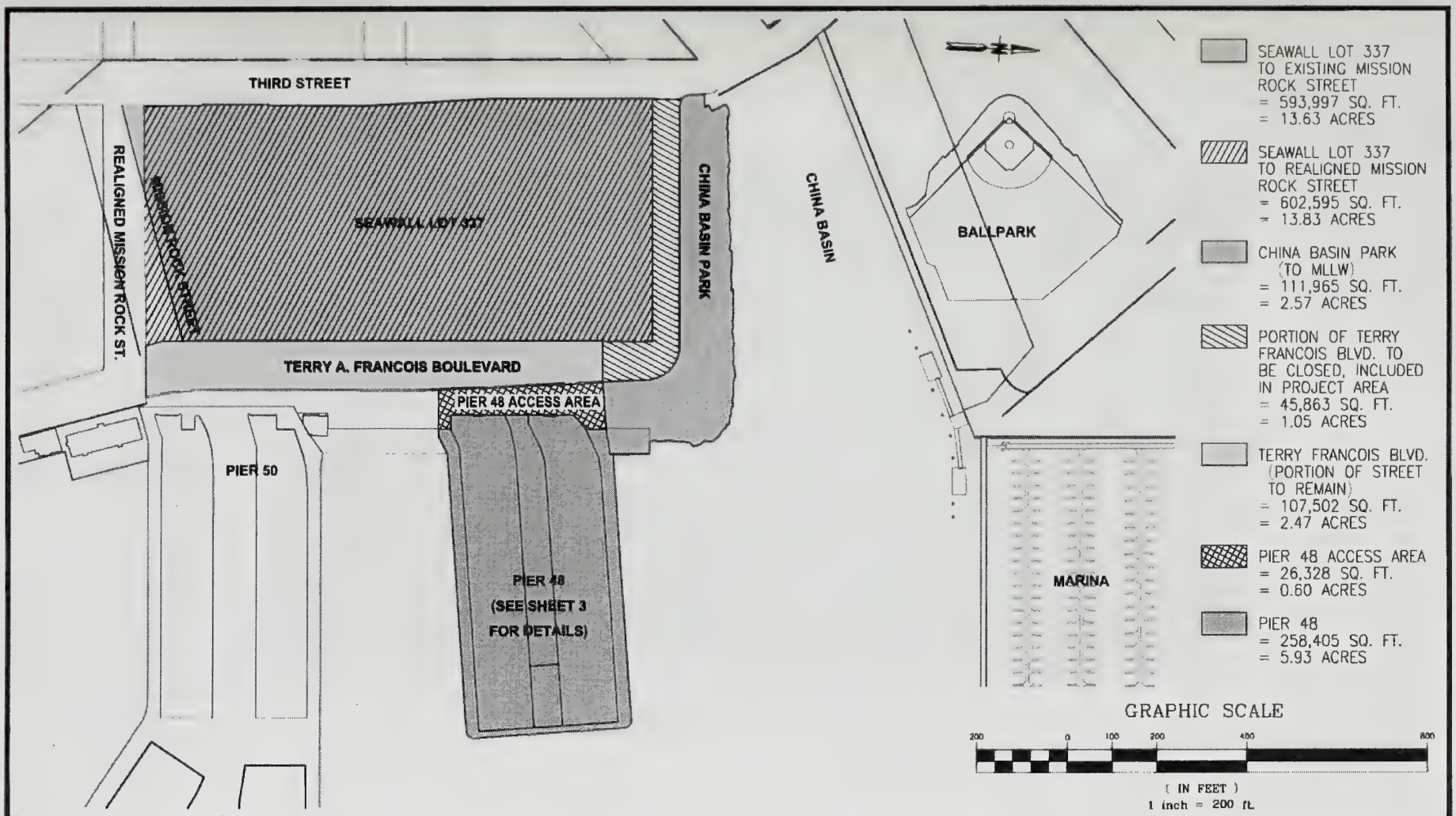

THIRD STREET
REALIGNED MISSION ROCK ST.
MISSION ROCK STREET
SEAWALL LOT 337
CHINA BASIN PARK
TERRY A. FRANCOIS BOULEVARD
PIER 48 ACCESS AREA
PIER 48
(SEE SHEET 2
FOR CONTINUATION)
PIER 50
SEAWALL LOT 337
TO EXISTING MISSION
ROCK STREET
= 593,997 SQ. FT.
= 13.63 ACRES
SEAWALL LOT 337
TO REALIGNED MISSION
ROCK STREET
= 602,595 SQ. FT.
= 13.83 ACRES
CHINA BASIN PARK
(TO MLLW)
= 111,965 SQ. FT.
= 2.57 ACRES
PORTION OF TERRY
FRANCOIS BLVD. TO
BE CLOSED, INCLUDED
IN PROJECT AREA
= 45,863 SQ. FT.
= 1.05 ACRES
TERRY FRANCOIS BLVD.
(PORTION OF STREET
TO REMAIN)
= 107,502 SQ. FT.
= 2.47 ACRES
PIER 48 ACCESS AREA
= 26,328 SQ. FT.
= 0.60 ACRES
PIER 48
= 258,405 SQ. FT.
= 5.93 ACRES
GRAPHIC SCALE
120 0 60 120 240 480
(IN FEET)
1 inch = 120 ft.
APPROVED BY
SAN FRANCISCO PORT COMMISSION
DATE
CHIEF HARBOR ENGINEER
SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING
SEAWALL LOT 337
DEVELOPMENT OPPORTUNITY SITE
PREPARED BY: AMN
CHECKED BY: D. OSHIMA
DRAWN BY: AMN
DATE: MAY 19, 2008
CONTRACT NO.
SCALE: 1" = 120'
DRAWING NO
SHEET NO 1
OF 2 SHEETS

EXHIBIT A



APPROVED BY SAN FRANCISCO PORT COMMISSION DATE _____ _____ CHIEF HARBOR ENGINEER	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	**SEAWALL LOT 337** **DEVELOPMENT OPPORTUNITY SITE**	PREPARED BY: AMN DRAWN BY: AMN CONTRACT NO. DRAWING NO.	CHECKED BY D. OSHIMA DATE: MAY 19, 2008 SCALE 1" = 200' SHEET NO. 2 OF 2 SHEETS

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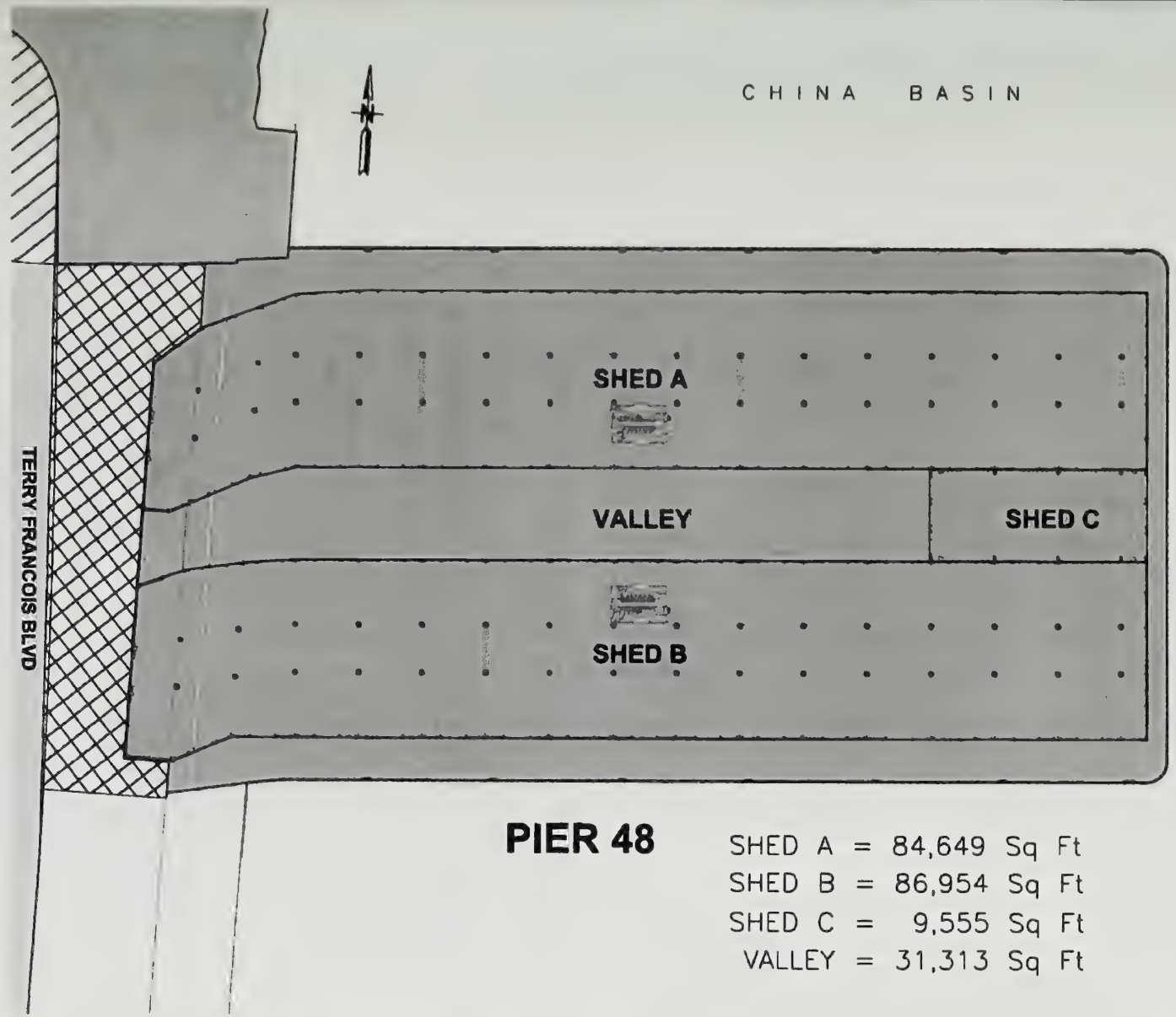
EXHIBIT A



PIER 48

SHED A = 84,649 Sq Ft
SHED B = 86,954 Sq Ft
SHED C = 9,555 Sq Ft
VALLEY = 31,313 Sq Ft

APPROVED BY SAN FRANCISCO PORT COMMISSION DATE CHIEF HARBOR ENGINEER	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO PORT DEPARTMENT OF ENGINEERING	**SEAWALL LOT 337** **DEVELOPMENT OPPORTUNITY SITE** **PIER 48 DETAILS**	DRAWN BY: ECC DATE: MAY 19, 2008 CHECKED BY: D. OSHIMA SCALE: 1" = 100' PLACE CODE NO. 1480-00 SHEET NO. 3 OF 3 SHEETS

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EXHIBIT A

EXHIBIT B: PROJECT DESCRIPTION

EXHIBIT C: ILLUSTRATIVE PHASING PLAN

EXHIBIT D: CONCEPTUAL HEIGHT MAP

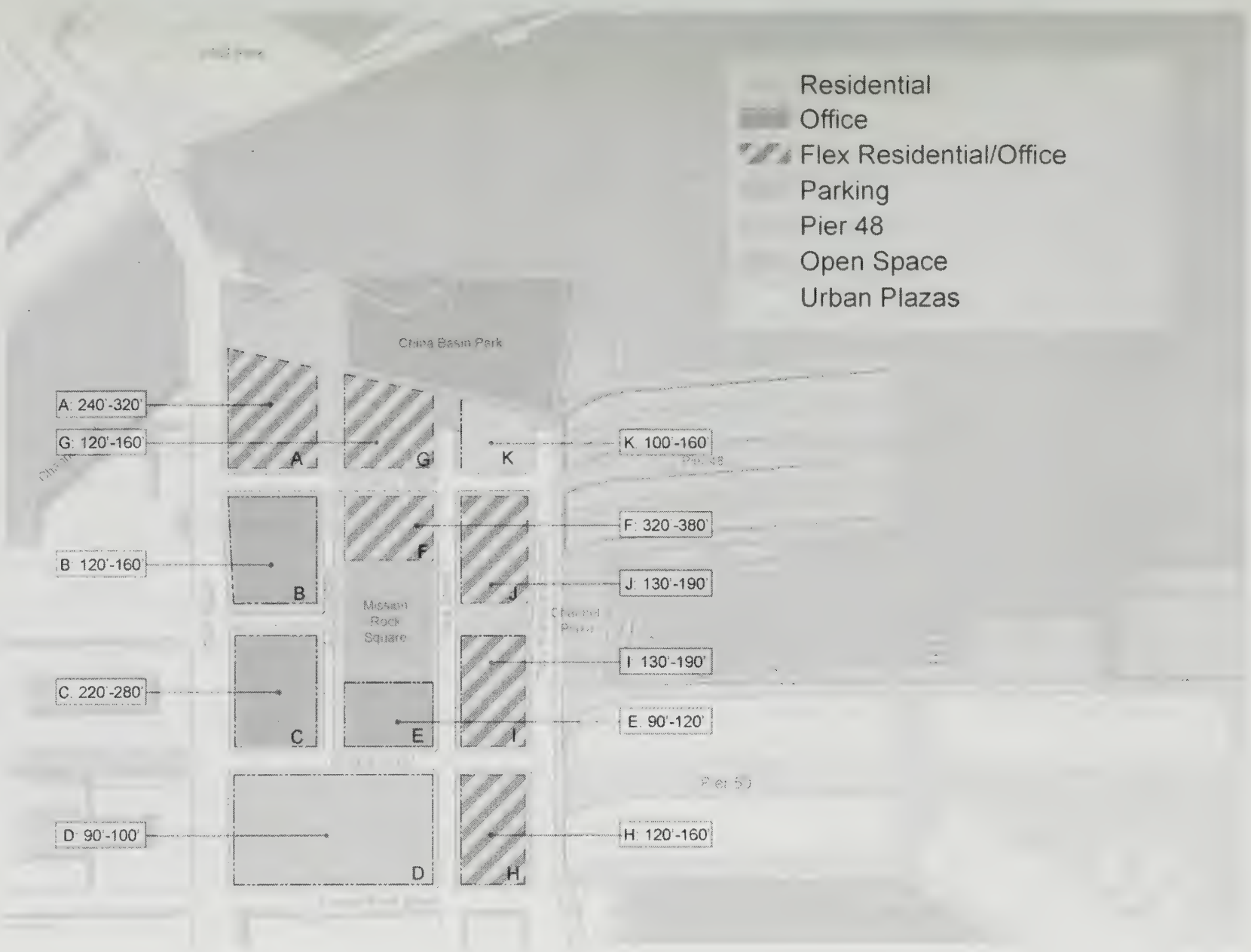

EXHIBIT E - SUMMARY PRO-FORMA UNDERWRITING (a)

A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES

Upfront Project Entitlement Expenditures	$	20,000,000
Phase 1 Infrastructure for Parcels A, B & C	$	21,523,162
Phase 1 Infrastructure for Parcel D	$	6,164,578
Phase 2 Infrastructure for Parcels G & K	$	38,227,462
Phase 3 Infrastructure for Parcels E & F	$	21,364,776
Phase 4 Infrastructure for Parcels H, I & J (b)	$	46,869,570
Total Horizontal Infrastructure Uses	$	154,149,548

B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES

Upfront CFD Mello Roos Bonds		
Phase 1 CFD Mello Roos Bonds	$	16,061,778
Total Upfront CFD Mello Roos Bonds	$	16,061,778
CFD Mello Roos Bonds - Completed Buildings		
Phase 1	$	24,661,528
Phase 2	$	36,920,819
Phase 3	$	19,098,062
Phase 4	$	43,249,224
Total CFD Mello Roos Bonds - Completed Buildings	$	123,929,634
Horizontal Costs Not Reimbursed by Bonds (Developer Equity)	$	5,000,000
Pay Go Tax Increment	$	9,158,136
Total Horizontal Infrastructure Investment Sources	$	154,149,548

C.) CUMULATIVE MASTER DEVELOPER INFRASTRUCTURE EQUITY

Phase 1	$	31,826,154
Phase 2	$	32,765,657
Phase 3	$	12,133,504
Phase 4	$	24,101,017
Cumulative Master Developer Infrastructure Equity	$	100,826,333

D.) MASTER DEVELOPER PEAK EQUITY (c)

Phase 1	$	20,000,000
Phase 2	$	24,875,263
Phase 3	$	12,133,504
Phase 4	$	21,480,441
Total Master Developer Peak Equity	$	78,489,208

E.) LEAD PARCEL & NET DEVELOPMENT RIGHTS PAYMENTS

Phase 1 Lead Parcel Credits	$	24,637,628
Phase 1 Development Rights	$	4,429,656
Phase 2 Development Rights	$	4,621,393
Phase 3 Development Rights	$	7,794,484
Phase 4 Development Rights	$	9,987,538
Total Lead Parcel & Net Development Right Payments	$	51,470,698

F.) PROJECT CASH FLOW AFTER DEBT SERVICE

Horizontal Infrastructure Costs	$	(154,149,548)
Upfront CFD Mello Roos Bonds	$	16,061,778
CFD Mello Roos Bonds - Completed Buildings	$	123,929,634
Pay Go Tax Increment	$	9,158,136
Lead Parcel Credit & Development Rights Payment	$	51,470,698
Total Cash Flow After Debt Service	$	46,470,698

G.) PORT OF SAN FRANCISCO GROUND LEASE REVENUE THROUGH 2094

Total Anticipated Ground Lease Revenue Through 2094		
Existing SWL 337 Parking Lot Ground Rent Allocation	$	14,426,013
SWL 337 New Development Base Ground Rent	$	866,226,755
Pier 48 Base Rent (d)	$	385,225,889
SWL 337 New Development Participation Rent	$	339,300,635
Master Developer Ground Rent Participation	$	(40,614,748)
Total Port of San Francisco Ground Lease Revenue	$	1,564,564,544

H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT THROUGH 2094

Gross Tax Increment		
Phase 1	$	975,833,504
Phase 2	$	343,663,767
Phase 3	$	572,062,898
Phase 4	$	779,148,257
Total City & County of San Francisco Tax Increment	$	2,670,708,426

Notes:

*** *All numbers are preliminary estimates and subject to further change.* ***

(a) Numerical estimates are expressed in nominal terms unless otherwise noted.

(b) Phase 4 public infrastructure reflects approximately $22M ($28M inflated) for Pier 48 rehabilitation. The Term Sheet calls for Pier 48 costs to be paid through a mix of sources, including, but not limited to, tenant-funded capital improvements, IFD proceeds, and equity. As a conservative case, underwriting reflects these costs paid through developer equity in advance of other sources being available.

(c) Peak equity reflects the estimated maximum outstanding balance of master developer equity capital funded for a given phase. It is used for multiple return calculations.

(d) Pier 48 net rent estimated to be $1.5M reflecting some of the $1.8M rental value delivered through tenant-funded capital improvements.

EXHIBIT E - ANNUAL SUMMARY - PRO-FORMA UNDERWRITING	Total	2012	2013	2014	2015	2016	2017
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES							
Upfront Project Entitlement Expenditures	$ 20,000,000	$ 5,714,286	$ 5,714,286	$ 5,714,286	$ 2,857,143	$ -	$ -
Phase 1 Horizontal Pre-Development	$ 2,493,895	$ -	$ -	$ -	$ -	$ 1,988,631	$ 505,264
Phase 1 Infrastructure for Parcels A, B & C	$ 19,029,267	$ -	$ -	$ -	$ -	$ -	$ 14,226,878
Phase 1 Infrastructure for Parcel D	$ 6,164,578	$ -	$ -	$ -	$ -	$ -	$ 3,072,616
Phase 2 Horizontal Pre-Development	$ 3,450,311	$ -	$ -	$ -	$ -	$ -	$ 2,751,504
Phase 2 Infrastructure for Parcels G & K	$ 34,777,151	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Horizontal Pre-Development	$ 1,929,532	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Infrastructure for Parcels E & F	$ 19,435,244	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Horizontal Pre-Development	$ 4,183,751	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Infrastructure for Parcels H, I & J	$ 14,257,508	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Pier 48 Infrastructure	$ 28,428,311	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Uses	$ 154,149,548	$ 5,714,286	$ 5,714,286	$ 5,714,286	$ 2,857,143	$ 1,988,631	$ 20,556,262
Cumulative Horizontal Project Uses		*$ 5,714,286*	*$ 11,428,571*	*$ 17,142,857*	*$ 20,000,000*	*$ 21,988,631*	*$ 42,544,893*
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES							
Upfront CFD Mello Roos Bonds							
Phase 1	$ 16,061,778	$ -	$ -	$ -	$ -	$ -	$ 16,061,778
Total Upfront CFD Mello Roos Bonds	$ 16,061,778	$ -	$ -	$ -	$ -	$ -	$ 16,061,778
CFD Mello Roos Bonds - Completed Buildings							
Phase 1	$ 24,661,528	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ 36,920,819	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ 19,098,062	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ 43,249,224	$ -	$ -	$ -	$ -	$ -	$ -
Total CFD Mello Roos Bonds - Completed Buildings	$ 123,929,634	$ -	$ -	$ -	$ -	$ -	$ -
Horizontal Costs Not Reimbursed by Bonds (Developer Equity)	$ 5,000,000	$ 5,000,000	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ 9,158,136	$ -	$ -	$ -	$ -	$ 378,594	$ 554,036
Total Horizontal Infrastructure Investment Sources	$ 154,149,548	$ 5,000,000	$ -	$ -	$ -	$ 378,594	$ 16,615,814
Cumulative Horizontal Project Sources		*$ 5,000,000*	*$ 5,000,000*	*$ 5,000,000*	*$ 5,000,000*	*$ 5,378,594*	*$ 21,994,408*
C.) CUMULATIVE MASTER DEVELOPER INFRASTRUCTURE EQUITY							
Phase 1	$ 31,826,154	$ 5,714,286	$ 5,714,286	$ 5,714,286	$ 2,857,143	$ 1,171,411	$ 2,943,733
Phase 2	$ 32,765,657	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ 12,133,504	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ 24,101,017	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Master Developer Infrastructure Equity	$ 100,826,333	$ 5,714,286	$ 5,714,286	$ 5,714,286	$ 2,857,143	$ 1,171,411	$ 2,943,733
Total Master Developer Infrastructure Equity		*$ 5,714,286*	*$ 11,428,571*	*$ 17,142,857*	*$ 20,000,000*	*$ 21,171,411*	*$ 24,115,144*
D.) MASTER DEVELOPER PEAK EQUITY							
Phase 1	$ 20,000,000	NA	NA	NA	NA	NA	NA
Phase 2	$ 24,875,263	NA	NA	NA	NA	NA	NA
Phase 3	$ 12,133,504	NA	NA	NA	NA	NA	NA
Phase 4	$ 21,480,441	NA	NA	NA	NA	NA	NA
Total Master Developer Peak Equity	$ 78,489,208						
E.) LEAD PARCEL & NET DEVELOPMENT RIGHTS PAYMENTS							
Phase 1 Lead Parcel Credits	$ 24,637,628	$ -	$ -	$ -	$ 24,637,628	$ -	$ -
Phase 1 Development Rights	$ 4,429,656	$ -	$ -	$ -	$ 4,429,656	$ -	$ -
Phase 2 Development Rights	$ 4,621,393	$ -	$ -	$ -	$ -	$ 4,621,393	$ -
Phase 3 Development Rights	$ 7,794,484	$ -	$ -	$ -	$ -	$ -	$ 7,794,484
Phase 4 Development Rights	$ 9,987,538	$ -	$ -	$ -	$ -	$ -	$ -
Total Lead Parcel & Net Development Right Payments	$ 51,470,698	$ -	$ -	$ -	$ 29,067,284	$ 4,621,393	$ 7,794,484
Cumulative Lead Parcel & Development Rights Payment		*$ -*	*$ -*	*$ -*	*$ 29,067,284*	*$ 33,688,677*	*$ 41,483,161*
F.) PROJECT CASH FLOW AFTER DEBT SERVICE							
Horizontal Infrastructure Costs	$ (154,149,548)	$ (5,714,286)	$ (5,714,286)	$ (5,714,286)	$ (2,857,143)	$ (1,988,631)	$ (20,556,262)
Upfront CFD Mello Roos Bonds	$ 16,061,778	$ -	$ -	$ -	$ -	$ -	$ 16,061,778
CFD Mello Roos Bonds - Completed Buildings	$ 123,929,634	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ 9,158,136	$ -	$ -	$ -	$ -	$ 378,594	$ 554,036
Lead Parcel Credit & Development Rights Payment	$ 51,470,698	$ -	$ -	$ -	$ 29,067,284	$ 4,621,393	$ 7,794,484
Total Cash Flow After Debt Service	$ 46,470,698	$ (5,714,286)	$ (5,714,286)	$ (5,714,286)	$ 26,210,142	$ 3,011,355	$ 3,854,036
Cash Flow with Retained Revenue to Fund Infrastructure	$ 46,470,698	$ (5,714,286)	$ (5,714,286)	$ (5,714,286)	$ 25,771,516	$ (1,171,411)	$ (1,325,951)
G.) PORT OF SAN FRANCISCO GROUND LEASE REVENUE THROUGH 2094							
Existing SWL 337 Parking Lot Ground Rent Allocation	$ 14,426,013	$ 3,000,000	$ 3,089,005	$ 3,178,010	$ 2,059,545	$ 1,691,848	$ 988,986
New Development Base Ground Rent	$ 866,226,755	$ -	$ -	$ -	$ 835,397	$ 1,617,130	$ 2,778,114
Pier 48 Base Ground Rent	$ 385,225,889	$ -	$ -	$ -	$ -	$ -	$ -
New Development Participation Rent	$ 339,300,635	$ -	$ -	$ -	$ -	$ -	$ -
Master Developer Ground Rent Participation	$ (40,614,748)	$ -	$ -	$ -	$ -	$ -	$ -
Total Port of San Francisco Ground Lease Revenue	$ 1,564,564,544	$ 3,000,000	$ 3,089,005	$ 3,178,010	$ 2,894,941	$ 3,308,978	$ 3,767,100
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT THROUGH 2094							
Phase 1 Gross Property Tax Increment	$ 975,833,504	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Gross Property Tax Increment	$ 343,663,767	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Gross Property Tax Increment	$ 572,062,898	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Gross Property Tax Increment	$ 779,148,257	$ -	$ -	$ -	$ -	$ -	$ -
Total City & County of San Francisco Tax Increment	$ 2,670,708,426	$ -	$ -	$ -	$ -	$ -	$ -

EXHIBIT E - ANNUAL SUMMARY - PRO-FORMA UNDERWRITING	2018	2019	2020	2021	2022	2023	2024	2025
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES								
Upfront Project Entitlement Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcels A, B & C	$ 4,802,389	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcel D	$ 3,091,962	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Horizontal Pre-Development	$ 698,807	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Infrastructure for Parcels G & K	$ 26,002,521	$ 8,774,630	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Horizontal Pre-Development	$ 1,538,856	$ 390,676	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Infrastructure for Parcels E & F	$ -	$ 14,532,614	$ 4,902,630	$ -	$ -	$ -	$ -	$ -
Phase 4 Horizontal Pre-Development	$ -	$ 3,336,909	$ 846,842	$ -	$ -	$ -	$ -	$ -
Phase 4 Infrastructure for Parcels H, I & J	$ -	$ -	$ 10,661,740	$ 3,595,767	$ -	$ -	$ -	$ -
Phase 4 Pier 48 Infrastructure	$ -	$ -	$ -	$ 22,677,230	$ 5,751,081	$ -	$ -	$ -
Total Horizontal Infrastructure Uses	$ 36,134,535	$ 27,034,828	$ 16,411,213	$ 26,272,998	$ 5,751,081	$ -	$ -	$ -
Cumulative Horizontal Project Uses	*$ 78,679,428*	*$ 105,714,256*	*$ 122,125,469*	*$ 148,398,467*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES								
Upfront CFD Mello Roos Bonds								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings								
Phase 1	$ 20,423,715	$ 166,218	$ 4,071,595	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ 12,099,880	$ 3,359,998	$ 5,050,863	$ 1,133,467	$ 1,156,137	$ 1,179,259	$ 1,202,844
Phase 3	$ -	$ -	$ 19,098,062	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ 18,053,534	$ 4,637,475	$ 15,677,724	$ 3,479,559	$ 1,250,269
Total CFD Mello Roos Bonds - Completed Buildings	$ 20,423,715	$ 12,266,098	$ 26,529,655	$ 23,104,397	$ 5,770,942	$ 16,833,861	$ 4,658,818	$ 2,453,113
Horizontal Costs Not Reimbursed by Bonds (Developer Equity)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ 1,507,468	$ 2,128,811	$ 1,978,037	$ 1,377,064	$ 683,520	$ 169,088	$ 180,585	$ 200,935
Total Horizontal Infrastructure Investment Sources	$ 21,931,183	$ 14,394,909	$ 28,507,692	$ 24,481,460	$ 6,454,463	$ 17,002,949	$ 4,839,403	$ 2,654,048
Cumulative Horizontal Project Sources	*$ 43,925,590*	*$ 58,320,499*	*$ 86,828,191*	*$ 111,309,651*	*$ 117,764,114*	*$ 134,767,063*	*$ 139,606,465*	*$ 142,260,513*
C.) CUMULATIVE MASTER DEVELOPER INFRASTRUCTURE EQU								
Phase 1	$ 7,711,010	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ 24,180,644	$ 8,585,014	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ 7,554,920	$ 4,578,583	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ 3,848,799	$ 19,333,167	$ 919,051	$ -	$ -	$ -
Cumulative Master Developer Infrastructure Equity	$ 31,891,654	$ 16,139,934	$ 8,427,382	$ 19,333,167	$ 919,051	$ -	$ -	$ -
Total Master Developer Infrastructure Equity	*$ 56,006,798*	*$ 72,146,732*	*$ 80,574,114*	*$ 99,907,281*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*
D.) MASTER DEVELOPER PEAK EQUITY								
Phase 1	NA	NA	NA	NA	NA	NA	NA	NA
Phase 2	NA	NA	NA	NA	NA	NA	NA	NA
Phase 3	NA	NA	NA	NA	NA	NA	NA	NA
Phase 4	NA	NA	NA	NA	NA	NA	NA	NA
Total Master Developer Peak Equity								
E.) LEAD PARCEL & NET DEVELOPMENT RIGHTS PAYMENTS								
Phase 1 Lead Parcel Credits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Development Rights	$ 5,953,387	$ 4,034,151	$ -	$ -	$ -	$ -	$ -	$ -
Total Lead Parcel & Net Development Right Payments	$ 5,953,387	$ 4,034,151	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Lead Parcel & Development Rights Payment	*$ 47,436,547*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*
F.) PROJECT CASH FLOW AFTER DEBT SERVICE								
Horizontal Infrastructure Costs	$ (36,134,535)	$ (27,034,828)	$ (16,411,213)	$ (26,272,998)	$ (5,751,081)	$ -	$ -	$ -
Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings	$ 20,423,715	$ 12,266,098	$ 26,529,655	$ 23,104,397	$ 5,770,942	$ 16,833,861	$ 4,658,818	$ 2,453,113
Pay Go Tax Increment	$ 1,507,468	$ 2,128,811	$ 1,978,037	$ 1,377,064	$ 683,520	$ 169,088	$ 180,585	$ 200,935
Lead Parcel Credit & Development Rights Payment	$ 5,953,387	$ 4,034,151	$ -	$ -	$ -	$ -	$ -	$ -
Total Cash Flow After Debt Service	$ (8,249,965)	$ (8,605,769)	$ 12,096,479	$ (1,791,537)	$ 703,382	$ 17,002,949	$ 4,839,403	$ 2,654,048
Cash Flow with Retained Revenue to Fund Infrastructure	$ (10,891,965)	$ (2,998,109)	$ 18,932,198	$ (1,791,537)	$ 703,382	$ 17,002,949	$ 4,839,403	$ 2,596,632
G.) PORT OF SAN FRANCISCO GROUND LEASE REVENUE THRO								
Existing SWL 337 Parking Lot Ground Rent Allocation	$ 418,620	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Development Base Ground Rent	$ 3,739,192	$ 4,500,000	$ 4,500,000	$ 4,500,000	$ 4,500,000	$ 4,500,000	$ 4,500,000	$ 4,500,000
Pier 48 Base Ground Rent	$ -	$ -	$ 1,125,000	$ 1,500,000	$ 1,500,000	$ 1,545,000	$ 1,591,350	$ 1,639,091
New Development Participation Rent	$ -	$ -	$ 25,062	$ 74,328	$ 159,901	$ 276,874	$ 420,180	$ 567,785
Master Developer Ground Rent Participation	$ -	$ -	$ (5,012)	$ (14,866)	$ (31,980)	$ (55,375)	$ (84,036)	$ (113,557)
Total Port of San Francisco Ground Lease Revenue	$ 4,157,812	$ 4,500,000	$ 5,645,050	$ 6,059,462	$ 6,127,921	$ 6,266,499	$ 6,427,494	$ 6,593,319
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT THRO								
Phase 1 Gross Property Tax Increment	$ 1,150,444	$ 4,659,158	$ 5,679,570	$ 5,793,162	$ 5,909,025	$ 6,027,206	$ 6,147,750	$ 6,270,705
Phase 2 Gross Property Tax Increment	$ -	$ 415,630	$ 1,683,250	$ 2,051,903	$ 2,092,941	$ 2,134,799	$ 2,177,495	$ 2,221,045
Phase 3 Gross Property Tax Increment	$ -	$ -	$ 709,847	$ 2,874,791	$ 3,504,406	$ 3,574,494	$ 3,645,984	$ 3,718,903
Phase 4 Gross Property Tax Increment	$ -	$ -	$ -	$ 616,615	$ 2,892,045	$ 4,597,329	$ 5,007,501	$ 5,107,651
Total City & County of San Francisco Tax Increment	$ 1,150,444	$ 5,074,788	$ 8,072,667	$ 11,336,470	$ 14,398,417	$ 16,333,828	$ 16,978,730	$ 17,318,304

EXHIBIT E - ANNUAL SUMMARY - PRO-FORMA UNDERWRITING	2026	2027	2028	2029	2030	2031	2032	2033
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES								
Upfront Project Entitlement Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcels A, B & C	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcel D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Infrastructure for Parcels G & K	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Infrastructure for Parcels E & F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Infrastructure for Parcels H, I & J	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Pier 48 Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Uses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Uses	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES								
Upfront CFD Mello Roos Bonds								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ 1,226,901	$ 2,376,051	$ 2,577,248	$ 2,628,793	$ 2,681,369	$ 248,009	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ 150,663	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total CFD Mello Roos Bonds - Completed Buildings	$ 1,377,564	$ 2,376,051	$ 2,577,248	$ 2,628,793	$ 2,681,369	$ 248,009	$ -	$ -
Horizontal Costs Not Reimbursed by Bonds (Developer Equity)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Investment Sources	$ 1,377,564	$ 2,376,051	$ 2,577,248	$ 2,628,793	$ 2,681,369	$ 248,009	$ -	$ -
Cumulative Horizontal Project Sources	*$ 143,638,078*	*$ 146,014,129*	*$ 148,591,377*	*$ 151,220,170*	*$ 153,901,538*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
C.) CUMULATIVE MASTER DEVELOPER INFRASTRUCTURE EQU								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Master Developer Infrastructure Equity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Master Developer Infrastructure Equity	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*
D.) MASTER DEVELOPER PEAK EQUITY								
Phase 1	NA	NA	NA	NA	NA	NA	NA	NA
Phase 2	NA	NA	NA	NA	NA	NA	NA	NA
Phase 3	NA	NA	NA	NA	NA	NA	NA	NA
Phase 4	NA	NA	NA	NA	NA	NA	NA	NA
Total Master Developer Peak Equity								
E.) LEAD PARCEL & NET DEVELOPMENT RIGHTS PAYMENTS								
Phase 1 Lead Parcel Credits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Lead Parcel & Net Development Right Payments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Lead Parcel & Development Rights Payment	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*
F.) PROJECT CASH FLOW AFTER DEBT SERVICE								
Horizontal Infrastructure Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings	$ 1,377,564	$ 2,376,051	$ 2,577,248	$ 2,628,793	$ 2,681,369	$ 248,009	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lead Parcel Credit & Development Rights Payment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Cash Flow After Debt Service	$ 1,377,564	$ 2,376,051	$ 2,577,248	$ 2,628,793	$ 2,681,369	$ 248,009	$ -	$ -
Cash Flow with Retained Revenue to Fund Infrastructure	$ 1,434,981	$ 2,376,051	$ 2,577,248	$ 2,628,793	$ 2,681,369	$ 248,009	$ -	$ -
G.) PORT OF SAN FRANCISCO GROUND LEASE REVENUE THRO								
Existing SWL 337 Parking Lot Ground Rent Allocation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Development Base Ground Rent	$ 4,500,000	$ 4,500,000	$ 4,538,175	$ 4,573,898	$ 4,626,952	$ 4,670,871	$ 4,705,638	$ 4,705,638
Pier 48 Base Ground Rent	$ 1,688,263	$ 1,738,911	$ 1,791,078	$ 1,844,811	$ 1,900,155	$ 1,957,160	$ 2,015,875	$ 2,076,351
New Development Participation Rent	$ 719,819	$ 876,413	$ 999,531	$ 1,129,939	$ 1,248,000	$ 1,380,330	$ 1,527,099	$ 1,714,081
Master Developer Ground Rent Participation	$ (143,964)	$ (175,283)	$ (207,541)	$ (240,767)	$ (274,990)	$ (310,240)	$ (346,547)	$ (383,944)
Total Port of San Francisco Ground Lease Revenue	$ 6,764,118	$ 6,940,042	$ 7,121,243	$ 7,307,880	$ 7,500,117	$ 7,698,120	$ 7,902,064	$ 8,112,126
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT THRO								
Phase 1 Gross Property Tax Increment	$ 6,396,119	$ 6,524,041	$ 6,654,522	$ 6,787,612	$ 6,923,365	$ 7,061,832	$ 7,203,069	$ 7,347,130
Phase 2 Gross Property Tax Increment	$ 2,265,466	$ 2,310,776	$ 2,356,991	$ 2,404,131	$ 2,452,214	$ 2,501,258	$ 2,551,283	$ 2,602,309
Phase 3 Gross Property Tax Increment	$ 3,793,282	$ 3,869,147	$ 3,946,530	$ 4,025,461	$ 4,105,970	$ 4,188,089	$ 4,271,851	$ 4,357,288
Phase 4 Gross Property Tax Increment	$ 5,209,804	$ 5,314,000	$ 5,420,280	$ 5,528,685	$ 5,639,259	$ 5,752,044	$ 5,867,085	$ 5,984,427
Total City & County of San Francisco Tax Increment	$ 17,664,670	$ 18,017,964	$ 18,378,323	$ 18,745,889	$ 19,120,807	$ 19,503,223	$ 19,893,288	$ 20,291,154

EXHIBIT E - ANNUAL SUMMARY - PRO-FORMA UNDERWRITING	2034	2035	2036	2037	2038	2039	2040	2041
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES								
Upfront Project Entitlement Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcels A, B & C	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcel D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Infrastructure for Parcels G & K	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Infrastructure for Parcels E & F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Infrastructure for Parcels H, I & J	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Pier 48 Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Uses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Uses	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES								
Upfront CFD Mello Roos Bonds								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Horizontal Costs Not Reimbursed by Bonds (Developer Equity)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Investment Sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Sources	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
C.) CUMULATIVE MASTER DEVELOPER INFRASTRUCTURE EQU								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Master Developer Infrastructure Equity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Master Developer Infrastructure Equity	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*
D.) MASTER DEVELOPER PEAK EQUITY								
Phase 1	NA	NA	NA	NA	NA	NA	NA	NA
Phase 2	NA	NA	NA	NA	NA	NA	NA	NA
Phase 3	NA	NA	NA	NA	NA	NA	NA	NA
Phase 4	NA	NA	NA	NA	NA	NA	NA	NA
Total Master Developer Peak Equity								
E.) LEAD PARCEL & NET DEVELOPMENT RIGHTS PAYMENTS								
Phase 1 Lead Parcel Credits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Lead Parcel & Net Development Right Payments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Lead Parcel & Development Rights Payment	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*
F.) PROJECT CASH FLOW AFTER DEBT SERVICE								
Horizontal Infrastructure Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lead Parcel Credit & Development Rights Payment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Cash Flow After Debt Service	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash Flow with Retained Revenue to Fund Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
G.) PORT OF SAN FRANCISCO GROUND LEASE REVENUE THRO								
Existing SWL 337 Parking Lot Ground Rent Allocation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Development Base Ground Rent	$ 4,705,638	$ 4,705,638	$ 4,705,638	$ 4,705,638	$ 5,006,074	$ 5,287,210	$ 5,704,738	$ 6,050,372
Pier 48 Base Ground Rent	$ 2,138,641	$ 2,202,801	$ 2,268,885	$ 2,336,951	$ 2,407,060	$ 2,479,271	$ 2,553,650	$ 2,630,259
New Development Participation Rent	$ 1,906,673	$ 2,105,042	$ 2,309,362	$ 2,519,812	$ 2,436,140	$ 2,378,270	$ 2,190,707	$ 2,081,935
Master Developer Ground Rent Participation	$ (422,462)	$ (462,136)	$ (503,000)	$ (545,090)	$ (588,443)	$ (633,096)	$ (679,089)	$ (726,462)
Total Port of San Francisco Ground Lease Revenue	$ 8,328,490	$ 8,551,344	$ 8,780,885	$ 9,017,311	$ 9,260,831	$ 9,511,655	$ 9,770,005	$ 10,036,105
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT THRO								
Phase 1 Gross Property Tax Increment	$ 7,494,073	$ 7,643,954	$ 7,796,833	$ 7,952,770	$ 8,111,825	$ 8,274,062	$ 8,439,543	$ 8,608,334
Phase 2 Gross Property Tax Increment	$ 2,654,355	$ 2,707,442	$ 2,761,591	$ 2,816,823	$ 2,873,159	$ 2,930,622	$ 2,989,235	$ 3,049,019
Phase 3 Gross Property Tax Increment	$ 4,444,434	$ 4,533,323	$ 4,623,989	$ 4,716,469	$ 4,810,798	$ 4,907,014	$ 5,005,154	$ 5,105,258
Phase 4 Gross Property Tax Increment	$ 6,104,115	$ 6,226,198	$ 6,350,722	$ 6,477,736	$ 6,607,291	$ 6,739,436	$ 6,874,225	$ 7,011,710
Total City & County of San Francisco Tax Increment	$ 20,696,977	$ 21,110,916	$ 21,533,134	$ 21,963,797	$ 22,403,073	$ 22,851,135	$ 23,308,157	$ 23,774,320

EXHIBIT E - ANNUAL SUMMARY - PRO-FORMA UNDERWRITING	2042	2043	2044	2045	2046	2047	2048	2049
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES								
Upfront Project Entitlement Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcels A, B & C	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcel D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Infrastructure for Parcels G & K	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Infrastructure for Parcels E & F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Infrastructure for Parcels H, I & J	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Pier 48 Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Uses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Uses	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES								
Upfront CFD Mello Roos Bonds								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Horizontal Costs Not Reimbursed by Bonds (Developer Equity)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Investment Sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Sources	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
C.) CUMULATIVE MASTER DEVELOPER INFRASTRUCTURE EQU								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Master Developer Infrastructure Equity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Master Developer Infrastructure Equity	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*
D.) MASTER DEVELOPER PEAK EQUITY								
Phase 1	NA	NA	NA	NA	NA	NA	NA	NA
Phase 2	NA	NA	NA	NA	NA	NA	NA	NA
Phase 3	NA	NA	NA	NA	NA	NA	NA	NA
Phase 4	NA	NA	NA	NA	NA	NA	NA	NA
Total Master Developer Peak Equity								
E.) LEAD PARCEL & NET DEVELOPMENT RIGHTS PAYMENTS								
Phase 1 Lead Parcel Credits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Lead Parcel & Net Development Right Payments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Lead Parcel & Development Rights Payment	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*
F.) PROJECT CASH FLOW AFTER DEBT SERVICE								
Horizontal Infrastructure Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lead Parcel Credit & Development Rights Payment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Cash Flow After Debt Service	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash Flow with Retained Revenue to Fund Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
G.) PORT OF SAN FRANCISCO GROUND LEASE REVENUE THRO								
Existing SWL 337 Parking Lot Ground Rent Allocation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Development Base Ground Rent	$ 6,323,984	$ 6,323,984	$ 6,323,984	$ 6,323,984	$ 6,323,984	$ 6,323,984	$ 6,727,744	$ 7,105,568
Pier 48 Base Ground Rent	$ 2,709,167	$ 2,790,442	$ 2,874,155	$ 2,960,380	$ 3,049,191	$ 3,140,667	$ 3,234,887	$ 3,331,934
New Development Participation Rent	$ 2,052,293	$ 2,303,582	$ 2,562,409	$ 2,829,000	$ 3,103,590	$ 3,386,417	$ 3,273,969	$ 3,196,196
Master Developer Ground Rent Participation	$ (775,255)	$ (825,513)	$ (877,278)	$ (930,597)	$ (985,515)	$ (1,042,080)	$ (1,100,343)	$ (1,160,353)
Total Port of San Francisco Ground Lease Revenue	$ 10,310,188	$ 10,592,494	$ 10,883,269	$ 11,182,767	$ 11,491,250	$ 11,808,987	$ 12,136,257	$ 12,473,345
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT THRO								
Phase 1 Gross Property Tax Increment	$ 8,780,500	$ 8,956,110	$ 9,135,233	$ 9,317,937	$ 9,504,296	$ 9,694,382	$ 9,888,270	$ 10,086,035
Phase 2 Gross Property Tax Increment	$ 3,110,000	$ 3,172,200	$ 3,235,644	$ 3,300,357	$ 3,366,364	$ 3,433,691	$ 3,502,365	$ 3,572,412
Phase 3 Gross Property Tax Increment	$ 5,207,363	$ 5,311,510	$ 5,417,740	$ 5,526,095	$ 5,636,617	$ 5,749,349	$ 5,864,336	$ 5,981,623
Phase 4 Gross Property Tax Increment	$ 7,151,944	$ 7,294,983	$ 7,440,882	$ 7,589,700	$ 7,741,494	$ 7,896,324	$ 8,054,250	$ 8,215,335
Total City & County of San Francisco Tax Increment	$ 24,249,807	$ 24,734,803	$ 25,229,499	$ 25,734,089	$ 26,248,771	$ 26,773,746	$ 27,309,221	$ 27,855,406

EXHIBIT E - ANNUAL SUMMARY - PRO-FORMA UNDERWRITING	2050	2051	2052	2053	2054	2055	2056	2057
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES								
Upfront Project Entitlement Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcels A, B & C	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcel D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Infrastructure for Parcels G & K	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Infrastructure for Parcels E & F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Infrastructure for Parcels H, I & J	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Pier 48 Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Uses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Uses	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES								
Upfront CFD Mello Roos Bonds								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Horizontal Costs Not Reimbursed by Bonds (Developer Equity)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Investment Sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Sources	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
C.) CUMULATIVE MASTER DEVELOPER INFRASTRUCTURE EQU								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Master Developer Infrastructure Equity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Master Developer Infrastructure Equity	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*
D.) MASTER DEVELOPER PEAK EQUITY								
Phase 1	NA	NA	NA	NA	NA	NA	NA	NA
Phase 2	NA	NA	NA	NA	NA	NA	NA	NA
Phase 3	NA	NA	NA	NA	NA	NA	NA	NA
Phase 4	NA	NA	NA	NA	NA	NA	NA	NA
Total Master Developer Peak Equity								
E.) LEAD PARCEL & NET DEVELOPMENT RIGHTS PAYMENTS								
Phase 1 Lead Parcel Credits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Lead Parcel & Net Development Right Payments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Lead Parcel & Development Rights Payment	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*
F.) PROJECT CASH FLOW AFTER DEBT SERVICE								
Horizontal Infrastructure Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lead Parcel Credit & Development Rights Payment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Cash Flow After Debt Service	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash Flow with Retained Revenue to Fund Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
G.) PORT OF SAN FRANCISCO GROUND LEASE REVENUE THRO								
Existing SWL 337 Parking Lot Ground Rent Allocation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Development Base Ground Rent	$ 7,666,690	$ 8,131,195	$ 8,498,905	$ 8,498,905	$ 8,498,905	$ 8,498,905	$ 8,498,905	$ 8,498,905
Pier 48 Base Ground Rent	$ 3,431,892	$ 3,534,848	$ 3,640,894	$ 3,750,121	$ 3,862,624	$ 3,978,503	$ 4,097,858	$ 4,220,794
New Development Participation Rent	$ 2,944,127	$ 2,797,947	$ 2,758,111	$ 3,095,821	$ 3,443,663	$ 3,801,940	$ 4,170,965	$ 4,551,061
Master Developer Ground Rent Participation	$ (1,222,163)	$ (1,285,828)	$ (1,351,403)	$ (1,418,945)	$ (1,488,514)	$ (1,560,169)	$ (1,633,974)	$ (1,709,993)
Total Port of San Francisco Ground Lease Revenue	$ 12,820,545	$ 13,178,162	$ 13,546,506	$ 13,925,902	$ 14,316,679	$ 14,719,179	$ 15,133,754	$ 15,560,767
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT THRO								
Phase 1 Gross Property Tax Increment	$ 10,287,756	$ 10,493,511	$ 10,703,381	$ 10,917,449	$ 11,135,798	$ 11,358,514	$ 11,585,684	$ 11,817,398
Phase 2 Gross Property Tax Increment	$ 3,643,860	$ 3,716,738	$ 3,791,072	$ 3,866,894	$ 3,944,232	$ 4,023,116	$ 4,103,579	$ 4,185,650
Phase 3 Gross Property Tax Increment	$ 6,101,255	$ 6,223,280	$ 6,347,746	$ 6,474,701	$ 6,604,195	$ 6,736,279	$ 6,871,004	$ 7,008,425
Phase 4 Gross Property Tax Increment	$ 8,379,642	$ 8,547,235	$ 8,718,180	$ 8,892,543	$ 9,070,394	$ 9,251,802	$ 9,436,838	$ 9,625,575
Total City & County of San Francisco Tax Increment	$ 28,412,514	$ 28,980,764	$ 29,560,379	$ 30,151,587	$ 30,754,618	$ 31,369,711	$ 31,997,105	$ 32,637,047

EXHIBIT E - ANNUAL SUMMARY - PRO-FORMA UNDERWRITING	2058	2059	2060	2061	2062	2063	2064	2065
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES								
Upfront Project Entitlement Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcels A, B & C	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcel D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Infrastructure for Parcels G & K	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Infrastructure for Parcels E & F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Infrastructure for Parcels H, I & J	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Pier 48 Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Uses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Uses	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES								
Upfront CFD Mello Roos Bonds								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Horizontal Costs Not Reimbursed by Bonds (Developer Equity)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Investment Sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Sources	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
C.) CUMULATIVE MASTER DEVELOPER INFRASTRUCTURE EQU								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Master Developer Infrastructure Equity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Master Developer Infrastructure Equity	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*
D.) MASTER DEVELOPER PEAK EQUITY								
Phase 1	NA	NA	NA	NA	NA	NA	NA	NA
Phase 2	NA	NA	NA	NA	NA	NA	NA	NA
Phase 3	NA	NA	NA	NA	NA	NA	NA	NA
Phase 4	NA	NA	NA	NA	NA	NA	NA	NA
Total Master Developer Peak Equity								
E.) LEAD PARCEL & NET DEVELOPMENT RIGHTS PAYMENTS								
Phase 1 Lead Parcel Credits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Lead Parcel & Net Development Right Payments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Lead Parcel & Development Rights Payment	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*
F.) PROJECT CASH FLOW AFTER DEBT SERVICE								
Horizontal Infrastructure Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lead Parcel Credit & Development Rights Payment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Cash Flow After Debt Service	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash Flow with Retained Revenue to Fund Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
G.) PORT OF SAN FRANCISCO GROUND LEASE REVENUE THRO								
Existing SWL 337 Parking Lot Ground Rent Allocation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Development Base Ground Rent	$ 9,041,526	$ 9,549,290	$ 10,303,391	$ 10,927,646	$ 11,421,818	$ 11,421,818	$ 11,421,818	$ 11,421,818
Pier 48 Base Ground Rent	$ 4,347,417	$ 4,477,840	$ 4,612,175	$ 4,750,540	$ 4,893,057	$ 5,039,848	$ 5,191,044	$ 5,346,775
New Development Participation Rent	$ 4,399,940	$ 4,295,420	$ 3,956,660	$ 3,760,207	$ 3,706,670	$ 4,160,525	$ 4,627,995	$ 5,109,489
Master Developer Ground Rent Participation	$ (1,788,293)	$ (1,868,942)	$ (1,952,010)	$ (2,037,570)	$ (2,125,698)	$ (2,216,469)	$ (2,309,963)	$ -
Total Port of San Francisco Ground Lease Revenue	$ 16,000,590	$ 16,453,608	$ 16,920,216	$ 17,400,822	$ 17,895,847	$ 18,405,722	$ 18,930,894	$ 21,878,082
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT THRO								
Phase 1 Gross Property Tax Increment	$ 12,053,745	$ 12,294,820	$ 12,540,717	$ 12,791,531	$ 13,047,362	$ 13,308,309	$ 13,574,475	$ 13,845,965
Phase 2 Gross Property Tax Increment	$ 4,269,363	$ 4,354,750	$ 4,441,845	$ 4,530,682	$ 4,621,296	$ 4,713,722	$ 4,807,996	$ 4,904,156
Phase 3 Gross Property Tax Increment	$ 7,148,593	$ 7,291,565	$ 7,437,396	$ 7,586,144	$ 7,737,867	$ 7,892,624	$ 8,050,477	$ 8,211,486
Phase 4 Gross Property Tax Increment	$ 9,818,086	$ 10,014,448	$ 10,214,737	$ 10,419,032	$ 10,627,412	$ 10,839,961	$ 11,056,760	$ 11,277,895
Total City & County of San Francisco Tax Increment	$ 33,289,788	$ 33,955,584	$ 34,634,696	$ 35,327,389	$ 36,033,937	$ 36,754,616	$ 37,489,708	$ 38,239,502

EXHIBIT E - ANNUAL SUMMARY - PRO-FORMA UNDERWRITING	2066	2067	2068	2069	2070	2071	2072	2073
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES								
Upfront Project Entitlement Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcels A, B & C	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcel D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Infrastructure for Parcels G & K	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Infrastructure for Parcels E & F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Infrastructure for Parcels H, I & J	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Pier 48 Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Uses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Uses	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES								
Upfront CFD Mello Roos Bonds								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Horizontal Costs Not Reimbursed by Bonds (Developer Equity)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Investment Sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Sources	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
C.) CUMULATIVE MASTER DEVELOPER INFRASTRUCTURE EQU								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Master Developer Infrastructure Equity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Master Developer Infrastructure Equity	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*
D.) MASTER DEVELOPER PEAK EQUITY								
Phase 1	NA	NA	NA	NA	NA	NA	NA	NA
Phase 2	NA	NA	NA	NA	NA	NA	NA	NA
Phase 3	NA	NA	NA	NA	NA	NA	NA	NA
Phase 4	NA	NA	NA	NA	NA	NA	NA	NA
Total Master Developer Peak Equity								
E.) LEAD PARCEL & NET DEVELOPMENT RIGHTS PAYMENTS								
Phase 1 Lead Parcel Credits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Lead Parcel & Net Development Right Payments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Lead Parcel & Development Rights Payment	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*
F.) PROJECT CASH FLOW AFTER DEBT SERVICE								
Horizontal Infrastructure Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lead Parcel Credit & Development Rights Payment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Cash Flow After Debt Service	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash Flow with Retained Revenue to Fund Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
G.) PORT OF SAN FRANCISCO GROUND LEASE REVENUE THRO								
Existing SWL 337 Parking Lot Ground Rent Allocation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Development Base Ground Rent	$ 11,421,818	$ 11,421,818	$ 12,151,054	$ 12,833,447	$ 13,846,895	$ 14,685,842	$ 15,349,968	$ 15,349,968
Pier 48 Base Ground Rent	$ 5,507,178	$ 5,672,394	$ 5,842,566	$ 6,017,843	$ 6,198,378	$ 6,384,329	$ 6,575,859	$ 6,773,135
New Development Participation Rent	$ 5,605,429	$ 6,116,246	$ 5,913,151	$ 5,772,685	$ 5,317,420	$ 5,053,403	$ 4,981,455	$ 5,591,397
Master Developer Ground Rent Participation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Port of San Francisco Ground Lease Revenue	$ 22,534,425	$ 23,210,458	$ 23,906,771	$ 24,623,975	$ 25,362,694	$ 26,123,575	$ 26,907,282	$ 27,714,500
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT THRO								
Phase 1 Gross Property Tax Increment	$ 14,122,884	$ 14,405,342	$ 14,693,448	$ 14,987,317	$ 15,287,064	$ 15,592,805	$ 15,904,661	$ 16,222,754
Phase 2 Gross Property Tax Increment	$ 5,002,239	$ 5,102,284	$ 5,204,330	$ 5,308,417	$ 5,414,585	$ 5,522,877	$ 5,633,334	$ 5,746,001
Phase 3 Gross Property Tax Increment	$ 8,375,716	$ 8,543,230	$ 8,714,095	$ 8,888,377	$ 9,066,145	$ 9,247,467	$ 9,432,417	$ 9,621,065
Phase 4 Gross Property Tax Increment	$ 11,503,453	$ 11,733,522	$ 11,968,193	$ 12,207,556	$ 12,451,707	$ 12,700,742	$ 12,954,756	$ 13,213,852
Total City & County of San Francisco Tax Increment	$ 39,004,293	$ 39,784,378	$ 40,580,066	$ 41,391,667	$ 42,219,501	$ 43,063,891	$ 43,925,168	$ 44,803,672

EXHIBIT E - ANNUAL SUMMARY - PRO-FORMA UNDERWRITING	2074	2075	2076	2077	2078	2079	2080	2081
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES								
Upfront Project Entitlement Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcels A, B & C	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcel D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Infrastructure for Parcels G & K	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Infrastructure for Parcels E & F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Infrastructure for Parcels H, I & J	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Pier 48 Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Uses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Uses	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES								
Upfront CFD Mello Roos Bonds								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Horizontal Costs Not Reimbursed by Bonds (Developer Equity)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Investment Sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Sources	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
C.) CUMULATIVE MASTER DEVELOPER INFRASTRUCTURE EQU								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Master Developer Infrastructure Equity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Master Developer Infrastructure Equity	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*
D.) MASTER DEVELOPER PEAK EQUITY								
Phase 1	NA	NA	NA	NA	NA	NA	NA	NA
Phase 2	NA	NA	NA	NA	NA	NA	NA	NA
Phase 3	NA	NA	NA	NA	NA	NA	NA	NA
Phase 4	NA	NA	NA	NA	NA	NA	NA	NA
Total Master Developer Peak Equity								
E.) LEAD PARCEL & NET DEVELOPMENT RIGHTS PAYMENTS								
Phase 1 Lead Parcel Credits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Lead Parcel & Net Development Right Payments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Lead Parcel & Development Rights Payment	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*
F.) PROJECT CASH FLOW AFTER DEBT SERVICE								
Horizontal Infrastructure Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lead Parcel Credit & Development Rights Payment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Cash Flow After Debt Service	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash Flow with Retained Revenue to Fund Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
G.) PORT OF SAN FRANCISCO GROUND LEASE REVENUE THRO								
Existing SWL 337 Parking Lot Ground Rent Allocation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Development Base Ground Rent	$ 15,349,968	$ 15,349,968	$ 15,349,968	$ 15,349,968	$ 16,330,001	$ 17,247,080	$ 18,609,070	$ 19,736,544
Pier 48 Base Ground Rent	$ 6,976,329	$ 7,185,619	$ 7,401,187	$ 7,623,223	$ 7,851,920	$ 8,087,477	$ 8,330,101	$ 8,580,005
New Development Participation Rent	$ 6,219,638	$ 6,866,727	$ 7,533,227	$ 8,219,723	$ 7,946,781	$ 7,758,006	$ 7,146,168	$ 6,791,352
Master Developer Ground Rent Participation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Port of San Francisco Ground Lease Revenue	$ 28,545,935	$ 29,402,313	$ 30,284,383	$ 31,192,914	$ 32,128,702	$ 33,092,563	$ 34,085,340	$ 35,107,900
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT THRO								
Phase 1 Gross Property Tax Increment	$ 16,547,209	$ 16,878,154	$ 17,215,717	$ 17,560,031	$ 17,911,232	$ 18,269,456	$ 18,634,845	$ 19,007,542
Phase 2 Gross Property Tax Increment	$ 5,860,921	$ 5,978,139	$ 6,097,702	$ 6,219,656	$ 6,344,049	$ 6,470,930	$ 6,600,349	$ 6,732,356
Phase 3 Gross Property Tax Increment	$ 9,813,486	$ 10,009,756	$ 10,209,951	$ 10,414,150	$ 10,622,433	$ 10,834,882	$ 11,051,580	$ 11,272,611
Phase 4 Gross Property Tax Increment	$ 13,478,129	$ 13,747,691	$ 14,022,645	$ 14,303,098	$ 14,589,160	$ 14,880,943	$ 15,178,562	$ 15,482,133
Total City & County of San Francisco Tax Increment	$ 45,699,745	$ 46,613,740	$ 47,546,015	$ 48,496,935	$ 49,466,874	$ 50,456,211	$ 51,465,336	$ 52,494,642

EXHIBIT E - ANNUAL SUMMARY - PRO-FORMA UNDERWRITING	2082	2083	2084	2085	2086	2087	2088	2089
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES								
Upfront Project Entitlement Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcels A, B & C	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcel D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Infrastructure for Parcels G & K	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Infrastructure for Parcels E & F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Infrastructure for Parcels H, I & J	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Pier 48 Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Uses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Uses	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES								
Upfront CFD Mello Roos Bonds								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Horizontal Costs Not Reimbursed by Bonds (Developer Equity)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Investment Sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Sources	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
C.) CUMULATIVE MASTER DEVELOPER INFRASTRUCTURE EQU								
Phase 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Master Developer Infrastructure Equity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Master Developer Infrastructure Equity	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*
D.) MASTER DEVELOPER PEAK EQUITY								
Phase 1	NA	NA	NA	NA	NA	NA	NA	NA
Phase 2	NA	NA	NA	NA	NA	NA	NA	NA
Phase 3	NA	NA	NA	NA	NA	NA	NA	NA
Phase 4	NA	NA	NA	NA	NA	NA	NA	NA
Total Master Developer Peak Equity								
E.) LEAD PARCEL & NET DEVELOPMENT RIGHTS PAYMENTS								
Phase 1 Lead Parcel Credits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 1 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 2 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 3 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase 4 Development Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Lead Parcel & Net Development Right Payments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Lead Parcel & Development Rights Payment	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*
F.) PROJECT CASH FLOW AFTER DEBT SERVICE								
Horizontal Infrastructure Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lead Parcel Credit & Development Rights Payment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Cash Flow After Debt Service	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash Flow with Retained Revenue to Fund Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
G.) PORT OF SAN FRANCISCO GROUND LEASE REVENUE THRO								
Existing SWL 337 Parking Lot Ground Rent Allocation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Development Base Ground Rent	$ 20,629,073	$ 20,629,073	$ 20,629,073	$ 20,629,073	$ 20,629,073	$ 20,629,073	$ 21,946,156	$ 23,178,633
Pier 48 Base Ground Rent	$ 8,837,405	$ 9,102,527	$ 9,375,603	$ 9,656,871	$ 9,946,577	$ 10,244,974	$ 10,552,323	$ 10,868,893
New Development Participation Rent	$ 6,694,659	$ 7,514,371	$ 8,358,674	$ 9,228,306	$ 10,124,028	$ 11,046,621	$ 10,679,809	$ 10,426,111
Master Developer Ground Rent Participation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Port of San Francisco Ground Lease Revenue	$ 36,161,137	$ 37,245,971	$ 38,363,350	$ 39,514,250	$ 40,699,678	$ 41,920,668	$ 43,178,288	$ 44,473,637
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT THRO								
Phase 1 Gross Property Tax Increment	$ 19,387,693	$ 19,775,447	$ 20,170,956	$ 20,574,375	$ 20,985,863	$ 21,405,580	$ 21,833,691	$ 22,270,365
Phase 2 Gross Property Tax Increment	$ 6,867,003	$ 7,004,343	$ 7,144,430	$ 7,287,318	$ 7,433,065	$ 7,581,726	$ 7,733,360	$ 7,888,028
Phase 3 Gross Property Tax Increment	$ 11,498,063	$ 11,728,025	$ 11,962,585	$ 12,201,837	$ 12,445,874	$ 12,694,791	$ 12,948,687	$ 13,207,661
Phase 4 Gross Property Tax Increment	$ 15,791,776	$ 16,107,611	$ 16,429,764	$ 16,758,359	$ 17,093,526	$ 17,435,397	$ 17,784,104	$ 18,139,787
Total City & County of San Francisco Tax Increment	$ 53,544,535	$ 54,615,426	$ 55,707,734	$ 56,821,889	$ 57,958,327	$ 59,117,493	$ 60,299,843	$ 61,505,840

EXHIBIT E - ANNUAL SUMMARY - PRO-FORMA UNDERWRITING	2090	2091	2092	2093	2094
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES					
Upfront Project Entitlement Expenditures	$ -	$ -	$ -	$ -	$ -
Phase 1 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcels A, B & C	$ -	$ -	$ -	$ -	$ -
Phase 1 Infrastructure for Parcel D	$ -	$ -	$ -	$ -	$ -
Phase 2 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -
Phase 2 Infrastructure for Parcels G & K	$ -	$ -	$ -	$ -	$ -
Phase 3 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -
Phase 3 Infrastructure for Parcels E & F	$ -	$ -	$ -	$ -	$ -
Phase 4 Horizontal Pre-Development	$ -	$ -	$ -	$ -	$ -
Phase 4 Infrastructure for Parcels H, I & J	$ -	$ -	$ -	$ -	$ -
Phase 4 Pier 48 Infrastructure	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Uses	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Uses	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES					
Upfront CFD Mello Roos Bonds					
Phase 1	$ -	$ -	$ -	$ -	$ -
Total Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings					
Phase 1	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -
Total CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -
Horizontal Costs Not Reimbursed by Bonds (Developer Equity)	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -
Total Horizontal Infrastructure Investment Sources	$ -	$ -	$ -	$ -	$ -
Cumulative Horizontal Project Sources	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*	*$ 154,149,548*
C.) CUMULATIVE MASTER DEVELOPER INFRASTRUCTURE EQU					
Phase 1	$ -	$ -	$ -	$ -	$ -
Phase 2	$ -	$ -	$ -	$ -	$ -
Phase 3	$ -	$ -	$ -	$ -	$ -
Phase 4	$ -	$ -	$ -	$ -	$ -
Cumulative Master Developer Infrastructure Equity	$ -	$ -	$ -	$ -	$ -
Total Master Developer Infrastructure Equity	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*	*$ 100,826,333*
D.) MASTER DEVELOPER PEAK EQUITY					
Phase 1	NA	NA	NA	NA	NA
Phase 2	NA	NA	NA	NA	NA
Phase 3	NA	NA	NA	NA	NA
Phase 4	NA	NA	NA	NA	NA
Total Master Developer Peak Equity					
E.) LEAD PARCEL & NET DEVELOPMENT RIGHTS PAYMENTS					
Phase 1 Lead Parcel Credits	$ -	$ -	$ -	$ -	$ -
Phase 1 Development Rights	$ -	$ -	$ -	$ -	$ -
Phase 2 Development Rights	$ -	$ -	$ -	$ -	$ -
Phase 3 Development Rights	$ -	$ -	$ -	$ -	$ -
Phase 4 Development Rights	$ -	$ -	$ -	$ -	$ -
Total Lead Parcel & Net Development Right Payments	$ -	$ -	$ -	$ -	$ -
Cumulative Lead Parcel & Development Rights Payment	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*	*$ 51,470,698*
F.) PROJECT CASH FLOW AFTER DEBT SERVICE					
Horizontal Infrastructure Costs	$ -	$ -	$ -	$ -	$ -
Upfront CFD Mello Roos Bonds	$ -	$ -	$ -	$ -	$ -
CFD Mello Roos Bonds - Completed Buildings	$ -	$ -	$ -	$ -	$ -
Pay Go Tax Increment	$ -	$ -	$ -	$ -	$ -
Lead Parcel Credit & Development Rights Payment	$ -	$ -	$ -	$ -	$ -
Total Cash Flow After Debt Service	$ -	$ -	$ -	$ -	$ -
Cash Flow with Retained Revenue to Fund Infrastructure	$ -	$ -	$ -	$ -	$ -
G.) PORT OF SAN FRANCISCO GROUND LEASE REVENUE THRO					
Existing SWL 337 Parking Lot Ground Rent Allocation	$ -	$ -	$ -	$ -	$ -
New Development Base Ground Rent	$ 25,009,033	$ 26,524,264	$ 27,723,750	$ 27,723,750	$ 27,723,750
Pier 48 Base Ground Rent	$ 11,194,960	$ 11,530,809	$ 11,876,733	$ 12,233,035	$ 12,600,026
New Development Participation Rent	$ 9,603,853	$ 9,127,009	$ 8,997,061	$ 10,098,686	$ 11,233,359
Master Developer Ground Rent Participation	$ -	$ -	$ -	$ -	$ -
Total Port of San Francisco Ground Lease Revenue	$ 45,807,846	$ 47,182,081	$ 48,597,544	$ 50,055,470	$ 51,557,134
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT THRO					
Phase 1 Gross Property Tax Increment	$ 22,715,773	$ 23,170,088	$ 23,633,490	$ 24,106,160	$ 24,588,283
Phase 2 Gross Property Tax Increment	$ 8,045,788	$ 8,206,704	$ 8,370,838	$ 8,538,255	$ 8,709,020
Phase 3 Gross Property Tax Increment	$ 13,471,814	$ 13,741,250	$ 14,016,075	$ 14,296,397	$ 14,582,325
Phase 4 Gross Property Tax Increment	$ 18,502,582	$ 18,872,634	$ 19,250,087	$ 19,635,088	$ 20,027,790
Total City & County of San Francisco Tax Increment	$ 62,735,957	$ 63,990,676	$ 65,270,490	$ 66,575,899	$ 67,907,417

Draft
Guidelines for the Establishment and Use of an Infrastructure Financing District with Project Areas on Land under the Jurisdiction of the San Francisco Port Commission

Threshold Criteria:

1. **At formation, limit waterfront districts and project areas to Port land**. Consistent with California Infrastructure Financing District (IFD) law (Gov. Code §§ 53395-53398.47), the City may form an IFD consisting only of land under the jurisdiction of the San Francisco Port Commission (Port) without an election (waterfront district). The formation of a waterfront district consisting of all Port land with project areas corresponding to Port development projects within the waterfront district[1] will be subject to the criteria in these *Guidelines for Establishment and Use of Infrastructure Financing Districts and Project Areas on Land under the Jurisdiction of the San Francisco Port Commission* (Port Guidelines). The City will consider allocating property tax increment from a project area to the waterfront district when the Port submits a project area-specific infrastructure financing plan that specifies: (a) the public facilities to be financed by tax increment[2] generated in the project area; (b) the projected cost of the proposed public facilities; (c) the projected amount of tax increment that will be generated over the term of the project area; (d) the amount of tax increment that is proposed to be allocated to the IFD to finance public facilities; and (e) any other matters required under IFD law.

2. **Consider requests to annex non-Port land to a project area on a case-by-case basis**. If an owner of non-Port land adjacent to a project area petitions to add the adjacent property to the project area in accordance with the IFD law, the City will consider on a case-by-case basis: (a) whether to annex the non-Port property to the project area to assist in financing public facilities; and (b) the extent to which tax increment generated by the non-Port land but not used for Port public facilities should be subject to the *Guidelines for the Establishment and Use of Infrastructure Financing Districts in the City and County of San Francisco (City Guidelines).*[3]

3. **Require completion of environmental review and the affirmative recommendation of the Capital Planning Committee before approving any infrastructure financing plan that allocates tax increment from a project area**. The City may form the Port-wide waterfront district without allocating tax increment to the waterfront district. The City will not approve an infrastructure financing plan that would allocate property tax increment to the

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[1] In according with Board of Supervisors intent as stated in Board Resolution No. 110-12, adopted on March 27, 2012, and Board Resolution No. 227-12, adopted on June 12, 2012. These Port Guidelines will apply even if the Board later decides to create multiple IFDs on Port land, rather than a single waterfront district.

[2] IFD law generally authorizes certain classes of public facilities to be financed through IFDs. The Legislature has broadened the types of authorized public facilities for waterfront districts to include: (1) remediation of hazardous materials in, on, under, or around any real or tangible property; (2) seismic and life-safety improvements to existing buildings; (3) rehabilitation, restoration, and preservation of structures, buildings, or other facilities having special historical, architectural, or aesthetic interest or value and that are listed on the National Register of Historic Places, are eligible for listing on the National Register of Historic Places individually or because of their location within an eligible registered historic district, or are listed on a state or local register of historic landmarks; (4) structural repairs and improvements to piers, seawalls, and wharves, and installation of piles; (5) removal of bay fill; (6) stormwater management facilities, other utility infrastructure, or public open-space improvements; (7) shoreline restoration; (8) other repairs and improvements to maritime facilities; (9) planning and design work that is directly related to any public facilities authorized to be financed by a waterfront district; (10) reimbursement payments made to the California Infrastructure and Economic Development Bank in accordance with IFD law; (11) improvements, which may be publicly owned, to protect against potential sea level rise; (12) Port maritime facilities at Pier 27; (13) shoreside power installations at Port maritime facilities; and (14) improvements to publicly-owned waterfront lands used as public spectator viewing sites for America's Cup activities in San Francisco. Gov. Code §§ 53395.3, 53395.8(d), and 53395.81(c)(1).

[3] Adopted on February 8, 2011, by the Board of Supervisors Resolution No. 66-11. The City Guidelines do not apply to IFDs on land owned or managed by the Port.

waterfront district from any project area, however, until the following have occurred: (a) the City has completed environmental review of the proposed development project associated with the project area and any proposed public facilities to be financed with property tax increment from the project area; and (b) the Capital Planning Committee has recommended approval of the related infrastructure financing plan.

4. **Public facilities financed by tax increment must be consistent with applicable laws, policies, and the Port's capital plan.** Project areas in the waterfront district must finance public facilities that are consistent with: (a) IFD law; (b) the Port's Waterfront Land Use Plan; (c) any restrictions imposed by the public trust for commerce, navigation, and fisheries, the Burton Act (stats. 1968, ch. 1333), or other applicable statute; and (d) the Port's 10-Year Capital Plan, all as in effect on the date the City approves any project area infrastructure financing plan.

5. **The Port must demonstrate that the project area will result in a net economic benefit to the City, including the Port**. The Port must include in the infrastructure financing plan for each project area: (a) the total amount of revenue that the City's General Fund is projected to receive over the term of the project area; and (b) the number of jobs and other economic development benefits that the project assisted by the waterfront district is projected to produce over the term of the project area. The projections in the infrastructure financing plan should be similar to those prepared to demonstrate that certain projects are fiscally feasible and responsible in accordance with Administrative Code Chapter 29.

6. **Where applicable, maximize State contributions to project areas through matching City contributions**. IFD law authorizes the allocation of the State's share of property tax increment to certain Port project areas in proportion to the City's allocation of tax increment to the Port project area to assist in financing specified Port public facilities, such as historic preservation at Pier 70 and the Port's new James R. Herman Cruise Terminal at Pier 27. When an allocation of the State's share of property tax increment to a Port project area is authorized under IFD law, the City will allocate to the waterfront district the amount of tax increment from the project area that will maximize the amount of the State's tax increment that is available to fund authorized public facilities. To do so, the City would budget up to $0.90 per property tax dollar (i.e., the sum of $0.65 of tax increment allocated by the City to the waterfront district from the project area and the State's share of tax increment), until the earlier to occur of: (a) full financing of the authorized public facilities by tax increment; or (b) the allocation to the waterfront district of the full amount of tax increment from the project area authorized under the approved infrastructure financing plan.

7. **Determine the amount of tax increment to be allocated to the waterfront district from a project area in relation to project economics**. The City will consider approving infrastructure financing plans for Port project areas that provide for allocations of tax increment of up to $0.65 per property tax dollar, or, where permitted by IFD law, $0.65 of tax increment so that, in combination with State's share of tax increment, the total allocated is up to $0.90 per property tax dollar, to fund authorized public facilities necessary for each proposed development project. Each infrastructure financing plan must include projections of the amount of tax increment that will be needed to fund necessary public facilities. The allocation should be sufficient to enable the Port to: (a) obtain fair market rent for Port ground leases after build-out of the project area; and (b) enable proposed development projects to attract private equity. No tax increment will be used to pay a developer's return on equity or other internal profit metric in excess of limits imposed by applicable state and federal law; the IFD law currently measures permissible developer return by reference to a published bond index and both the State Mello-Roos Community Facilities Act and federal tax law require a return that is consistent with industry standards. The Board of Supervisors

in its discretion may allocate additional tax increment to other public facilities serving the waterfront district that require funding.

An approved infrastructure financing plan will state the City's agreement that, for any debt secured by tax increment allocated to the waterfront district from a project area to finance authorized public facilities, the City will disburse tax increment to the waterfront district from the project area in amounts sufficient to fund: (a) debt service and debt service coverage for bonds issued under IFD law (IFD Bonds), bonds issued under the Mello-Roos Community Facilities Act of 1982[4] (CFD Bonds), and other forms of indebtedness that the Port is authorized to issue to fund public facilities authorized to be financed in the infrastructure financing plan to the extent not funded by special tax levies; and (b) costs of administration and authorized public facilities on a pay-as-you-go basis.

8. **Use excess tax increment for citywide purposes**. Tax increment not required to fund eligible project-specific public facilities will be allocated to the City's General Fund or to improvements to the City's seawall and other measures to protect the City against sea level rise or other foreseeable risks to the City's waterfront.

9. **Port Capital Budget**. If the Port issues Port revenue bonds (instead of CFD Bonds or IFD Bonds) to be repaid by tax increment revenue generated in one or more Port project areas, to further the purposes Port Commission Resolution No. 12-22 adopting the Port's Policy for Funding Capital Budget Expenditures, the Port will include annually in its Capital Budget any tax increment revenue allocated to the waterfront district from the project area to provide debt service coverage on any Port revenue bond debt payable from tax increment.

10. **Require each project area infrastructure financing plan to identify sources of funding to construct, operate, and maintain public facilities financed by project area tax increment**. Tax increment will be allocated to the waterfront district from a project area under a project area infrastructure financing plan only if the Port has identified anticipated sources of funding to construct, operate, and maintain any public facilities to be financed with project area tax increment. Examples of acceptable sources for operation and maintenance are: (a) private financing mechanisms, such as a homeowners association assessment; (b) a supplemental special tax levied by a community facilities district formed under the Mello-Roos Act or assessments levied by a community benefits district; and (c) the Port's maintenance budget or other allocation of the Port Harbor Fund.

<u>Strategic Criteria</u>

- **Use Port IFD financing for public facilities serving Port land where other Port moneys are insufficient**. Port IFD financing should be used to finance public facilities serving Port land when the Port does not otherwise have sufficient funds.

- **Use Port IFD financing to leverage non-City resources**. Port IFD financing should be used to leverage additional regional, state, and federal funds. For example, IFD funds may prove instrumental in securing matching federal or state dollars for transportation projects.

- **Continue the Port's "best-practices" citizen participation procedures to help establish priorities for public facilities serving Port land**. Continue to use the Port's "best-practices" citizen participation procedures to: (a) establish community and municipal priorities for construction of infrastructure serving Port land; and (b) ensure that

[4] Gov. Code §§ 553311-53368.3 (Mello-Ross Act).

infrastructure financing plans for Port project areas provide financing to help the Port and the City meet those priorities.

- **The Port, the Mayor's Budget Office, and the Controller should collaborate to conduct periodic nexus studies**. No less than every ten years, the Port, the Mayor's Budget Office, and the Controller should collaborate on a nexus study. The nexus analysis will examine whether the cost of basic municipal services provided to Port property, such as services provided by the Fire and Police Departments, is covered by the sum of: (a) the portion of property taxes the City receives from Port land that is not allocated to the waterfront district; (b) hotel, sales, payroll or gross receipts, and any other taxes the City receives from Port land; and (c) any other revenues that the City receives from Port land.

APPENDIX
Index of Defined Terms

Many key terms are defined in the introductory text for readability. Definitions are also located in the chart at the locations specified below.

Term	Location
AGI	§ 9.e.ii
AMI	§ 20
BCDC	§ 6
Board	§ 4.c
capital event	§ 10
CEQA	§ 3
CFD	§ 13.a
City	§ 1.a
DDA	§ 4
Developer Return	§ 4.a.iii; see also § 12
Development Parcel	§ 1.b
Development Rights Account	§ 14.b
Development Rights Payment	§ 8.b.i
Distribution	§ 14.b
Entitlement	§ 3.a.i
Entitlement Costs	§ 11.a
FAR	§ 7.b
Final Completion	§ 14.d.ii
Financing Plan	§ 4.a.iv
Hard Costs	§ 11.a
horizontal development	§ 3.a
Horizontal Development Costs	§ 11.a
IFD	§ 13.b
IFD financing plan	§ 13.b
Infrastructure	§ 3.a.ii
Lead Parcel	§ 5.a.i
Leasehold FMV	§ 9.b
Master Developer	§ 1.a
Master Developer Affiliate	§ 1.b
Master Lease	§ 4
Net Available	§ 13.b

Term	Location
Increment	
Net Proceeds	§ 10
NOI	§ 9.e.ii
Option Parcel	§ 9.a
Parcel Lease	§ 4
Parcel Performance Schedule	§ 4.c.iv
Parcel RFP	§ 9.e
Parking Structure	§ 3.b.ii; see also § 16
Phase	§ 5
Phase Budget	§ 11.b
Pier 48 Rehabilitation	§ 3.c
Port	§ 1.a
Port IFD Guidelines	§ 13.b
Project	§ 3
Project Approval	§ 3
project area	§ 13.b
Project Phasing Schedule	§ 4.a.viii
Public Facilities	§ 3.a
public trust	§ 4.a.x
Purchase Agreement	§ 4.a.vii
Put Exercise Period	§ 17.c
Put Notice	§ 17.c
Qualified Appraiser	§ 17.b
Reserve Rent	§ 9.a
RMA	§ 13.a
SB 815	§ 4.c.i
SFMTA	§ 16.c
Site	§ 2
Soft Costs	§ 11.a
State	§ 2
State Lands	§ 4.a.x
SUD	§ 4.c.iii

Term	Location
SWL 337	§ 2
TDMP	§ 22
Total Entitlement Sum	§ 4.a.v
total rent	§ 9.d
Transaction Documents	§ 4
Trust Swap Parcel	§ 4.a.iv
Upset Transfer	§ 9.c.ii
Upset Transfer Shortfall	§ 9.c.ii.1
Vertical Developer	§ 1
vertical development	§ 3.b
waterfront district	§ 13.b

EXHIBIT C

ADDITIONAL INFORMATION ON DEVELOPER EXPERIENCE AND FINANCIAL CAPACITY

Developer Experience

San Francisco Baseball Associates, LLV ("SFBA") maintains an in-house real estate development team as its wholly-owned subsidiary, Giants Development Services, LLC ("GDS"). GDS consists of staff with extensive depth of experience entitling and developing real estate in San Francisco and across the country, from Washington DC to Los Angeles. Jon Knorpp, previously represented Wilson Meany Sullivan (WMS) during the period when WMS was part of the Developer entity at the time. He has been with the Developer team since submittal of the SWL 337 RFP. Whether with WMS or Giants Development Services, Mr. Knorpp has served as a senior partner overseeing design, development and construction for several of the firm's major projects. He was also an integral member of the senior management team of Wilson/Equity Office, including its transition to WMS, through 2004.

From 2004 through 2007, Mr. Knorpp was a Principal with MacFarlane Partners where he led urban development activities throughout the U.S. and Mexico, including acquisitions, entitlements, project design, engineering, construction, and marketing. Prior to Wilson/Equity Office, Mr. Knorpp was a Senior Vice President for Catellus Urban Group where he led the development of the residential/retail elements of the Mission Bay master plan which includes 6,000 high-density housing units and 550,000 square feet of retail; Vice President - Development and Partner for Emerald Fund where he developed condominium/apartment and mixed-use properties in San Francisco; and a Senior Development Manager for Forest City Properties Corporation which developed high density apartment/mixed-use communities in California and Nevada including Bayside Village, the first large-scale apartment project in the South Beach neighborhood of San Francisco.

The San Francisco Giants organization, ownership group and management team have extensive real estate experience. The organization successfully developed AT&T Park, the award-winning home of the Giants baseball team. The ballpark has been consistently recognized as one of the best sporting venues in the world. The Giants also developed Scottsdale Stadium in Arizona, also known as one of the best Spring Training venues in baseball. Both AT&T Park and Scottsdale Stadium are long term public-private partnerships, where the Giants management has acted as steward of public land in the development of assets that generate economic benefits to the respective municipalities.

The Giants ownership team includes several prominent real estate professionals that have been responsible for significant development projects across the United States (e.g., DUMBO in Brooklyn, New York). This experienced ownership team guides the Giants strategic decisions and investments, and has identified the SWL 337 real estate development as a significant priority for the future of the ballclub.

As with every development entity, the Developer has compiled an external consultant team of architects, designers, engineers, transportation planners, environmental experts, and more. This external team, largely the same as reviewed as part of RFP submittals, has deep roots in San Francisco, particularly in working with the Port of San Francisco and the former San Francisco Redevelopment Agency. Specific projects of internal and external staff include the Ferry Building, the Transbay Center, The Exploratorium, Mission Bay Redevelopment, and Treasure Island Redevelopment.

Organization	Key Leadership
San Francisco Baseball Associates LLC	Laurence Baer, John Yee, Jack Bair
Giants Development Services, LLC	Jack Bair, Jon Knorpp, Fran Weld
Coblentz Patch Duffy Bass	Pam Duffy, Harry O'Brien, Josh Steinhauer
Sheppard Mullin	David Madway
Perkins + Will	Karen Alschuler, Cathy Simon
Nibbi Bros.	Larry Nibbi, Bob Nibbi
Hathaway Dinwiddie Construction Co.	Garry O'Reilly, Ed Conlon
Century Urban	Bryant Sparkman
EPS	Richard Berkson
Hargreaves Associates	Brian Jencek
Atelier Ten	Claire Maxfield, Emma Marchant
Adavant Consulting	Jose Farran
Moffat & Nichol	Dilip Trivedi, Bo Jensen
BKF	Todd Adair
KPFF	Marc Press
Harrison Consulting	Bob Harrison
ARS Code	Tony Sanchez-Corea

Developer Financial Capacity

For the year ended December 31, 2011 SFBA reported revenues in the low to mid hundreds of millions with net income in the low tens of millions. Assets as of December 31, 2011 were in the mid hundreds of millions with equity in the mid tens of millions figures. SFBA also has access to a revolving line of credit in the mid tens of millions which has been provided by a major US bank. The credit is secured by revenues received from Major League Baseball (MLB), trademarks and intellectual property rights. The credit line expires in March of 2015. SFBA has historically not utilized this facility. There are no outstanding borrowings under this credit facility.

For the eleven month period ended November 30, 2012, SFBA reported total assets in the mid hundreds of millions with equity in the high tens of millions. The latter represents a substantial increase over the company's fiscal year December 31, 2011 position. SFBA reported cash and cash equivalents totaling the high tens of millions, with approximately 40 percentage of the total invested in money market investments.

SFBA operations will benefit in the future from a new agreement that MLB has negotiated with broadcasters for broadcast rights to MLB games. The company expects to receive additional revenues in the low tens of millions starting in 2014 when the new broadcast rights agreement becomes effective.

PORT OF SAN FRANCISCO

MEMORANDUM

February 21, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer, Executive Director MMoyer

SUBJECT: Fiscal Year (FY) 2013-14 – FY 2017-18 Five Year Financial Plan

DIRECTOR'S RECOMMENDATION: Informational Item – No Action Required

The purpose of this item is to provide an update on the Port's Five Year Financial Plan ("Financial Plan") for Fiscal Year (FY) 2013-14 – FY 2017-18 to allow for Port Commission consideration and feedback. The Financial Plan is attached for Port Commission review.

BACKGROUND

On November 3, 2009 San Francisco voters approved Proposition A, which among other things established the requirement under Charter Section 9.119 for the City and County of San Francisco ("the City") to prepare a five-year financial forecast by the first of March in every odd fiscal year.[1] In 2011 the Port participated in the creation of the City's first financial plan for FY 2011-12 – FY 2015-16. Then, in 2012 the Port presented an informational update to the Port Commission for the FY 2012-13 – FY 2016-17 Financial Plan ("Financial Plan"). Now the Port is participating in the first update to the citywide plan for FY 2013-14 – FY 2017-18. Hereafter, the Port will update its Financial Plan every odd fiscal year in concert with the City. This informational item is to update the Port Commission on the Port financial projections that will be included in the citywide plan.

[1] See, Administrative Code, Section 3.6.

This Print Covers Calendar Item No. 12A

The City's Financial Plan is required under the City Charter to present forecasted expenditures and revenues during the five-year period, propose actions to balance revenues and expenditures during each year of the plan, and discuss strategic goals and corresponding resources for City departments. The Financial Plan includes discussion of major financial and operational issues for the City's largest General Fund departments and all of the Enterprise departments.

FINANCIAL PLAN OVERVIEW

The Port is fortunate to be a self-reliant Enterprise Department and avoid the potential pitfalls associated with relying on the General Fund, including the need for budget cuts to close the annual deficits in recent years. The Port's five year outlook for FY 2013-14 – FY 2017-18 highlights, however, common challenges faced by much of the City Family: the need to address growing operating costs and aging infrastructure with limited resources. The strategies that the Port is taking to meet its mission and the financial strategy to align sources to meet the operating and capital needs of the organization are described in more detail below.

STRATEGIC GOALS

The next five years represent a period of major opportunities and challenges for the Port. These include hosting the 34th America's Cup, completion of the new James R. Herman Cruise Terminal and pursuit of major development projects that will continue to transform the waterfront, with new emphasis in the South Beach area and further south of the Bay Bridge. The Port will also continue to address chronic infrastructure needs and prioritize its most mission-critical lines of business, as mandated by the Burton Act[2] and meet the planning and regulatory requirements set out by the San Francisco Bay Conservation Development Commission (BCDC). These activities are reflected in the following strategic initiatives:

Plan and Implement a Stable Financial Future for the City's Port

The Port faces $1.6 billion in deferred capital costs that are preventing it from leveraging investment opportunities and are resulting in facilities becoming unsafe and unusable ("red-tagged").[3] Additionally, operating expenses are growing and the conversion of rental facilities to new development projects has the potential to substantially reduce important near-term revenue streams that supply funding for both operating and capital needs during the five year horizon. The Port must address the demands of supporting these major development projects and the associated revenue reductions from loss of interim leasing revenue during construction periods, and long term rent credits that repay private capital investments. The Port can address the revenue impacts of development projects by prioritizing investment in revenue-generating development

[2] In 1968, the State transferred its responsibilities for the Port of San Francisco to the City and County of San Francisco through the Burton Act. As a condition of the transfer, the State required the City to create a Port Commission that has the authority to manage the San Francisco waterfront for the citizens of California.

[3] A "red-tagged" structure has been severely damaged to the degree that it is too dangerous to inhabit.

sites and enforcing the Capital Policy, which requires a minimum annual investment in capital.[4] Successful navigation of these financial challenges will ensure safe enjoyment, operability and improvement of the waterfront.

Redevelop and Rehabilitate Aging Waterfront Piers, Wharfs and Seawall Lots
The Port has reconnected San Franciscans, the region and other visitors to the waterfront by developing new recreation and open space facilities. During the Financial Plan's five-year horizon, the Port will continue to do so, with emphasis on the Central and Southern Waterfronts. This public investment leverages the development of underutilized piers, wharfs and seawall lots through private investment in public/private partnerships. These new developments increase the value of Port lands, generate economic value to the City, provide significant public benefits including improved neighborhoods, transform areas of the waterfront, and reduce state of good repair capital needs, identified in the 10-year Capital Plan.

Lead a City Effort to Rebuild the Seawall and Adapt the Port Waterfront and its Seawall to Global Warming/Sea Level Rise
Between 1900 and 2000 the level of San Francisco Bay rose by seven inches and scientific forecasts predict that water levels could rise another 16 inches or more by 2050. In order to protect Port assets and the welfare of its tenants and the City as a whole, the Port must be prepared to repair and modify the seawall to address these changes. The Port will work with City partners to define capital and operational response options to address the deterioration of the seawall and prepare for environmental threats related to climate change and/or natural disaster.

Preserve Industrial and Commercial Maritime Tenants and Users
In recognition of its significant economic value to the City, the Port is refining its strategy to emphasize its primary function as a working Port. Piers 27, 35, 45, 50, 70, 80, 92-96 and the Backlands are priority areas to preserve or expand maritime operations and other industrial, job-heavy activities. The Piers 90-96 maritime terminal in the Southern Waterfront offers the largest assemblage of industrial maritime opportunities on Port property. This area is unique in San Francisco as it has the operational capacity and transportation access to support maritime public trust uses and must be managed to recognize and optimize opportunities for maritime shipping and commerce as well as meet the City's light and heavy industrial needs.[5]

Preserve Sufficient Space for Production, Distribution and Repair Uses and Non-Profit Entities
On behalf of the City, the Port provides a critical resource for industrial uses, warehouses, affordable rental space for small businesses, and non-profit entities. This critically important role should be capitalized upon, with a focus on generating and supporting blue collar jobs as well as attracting cargo shipments such as aggregate and

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[4] In 2012 the Port Commission approved a new Capital Policy that requires an annual capital investment equal to 20 percent of annual Operating Revenues up until FY 2017-18, when the requirement increases to 25 percent. The policy can be met by either funding capital projects or setting aside funds for future capital investments.

[5] See, the City's "Central Waterfront Area Plan," December, 2008 from the Eastern Neighborhoods Plans.

asphalt to meet the demands of the City. Notably, no other segment of the City meets these needs for waterside services and there is limited Production, Distribution and Repair land.[6]

OVERVIEW OF PRIOR FINANCIAL PLAN

The Port's prior Financial Plan for FY 2012-13 – FY 2016-17 projected a total budget increase of $14.8 million (16%), from $91.2 million in the FY 2011-12 base budget year to $106.0 million in FY 2016-17, with an average annual growth of $3.0 million (3%). That outlook included a 5 percent average annual growth in Operating Revenues, offset by a 2 percent decline in available Fund Balance as surplus revenues were anticipated to fund growing Operating Expenditures. As a result, even with the implementation of the Port's new Capital Policy, which requires a minimum annual capital investment equal to 20 percent of Operating Revenues, the Port's ability to fund Capital Expenditures was expected to decline, from $15.4 million in FY 2011-12 to $8.6 million in FY 2016-17, and only average $9.6 million per year in the five year period. Furthermore, the prior Financial Plan projected that cuts to Operating Expenditures, ranging from $1.0 million in year three to $2.8 million in year five, would be required to ensure minimal levels of capital investment in accordance with the Capital Policy.

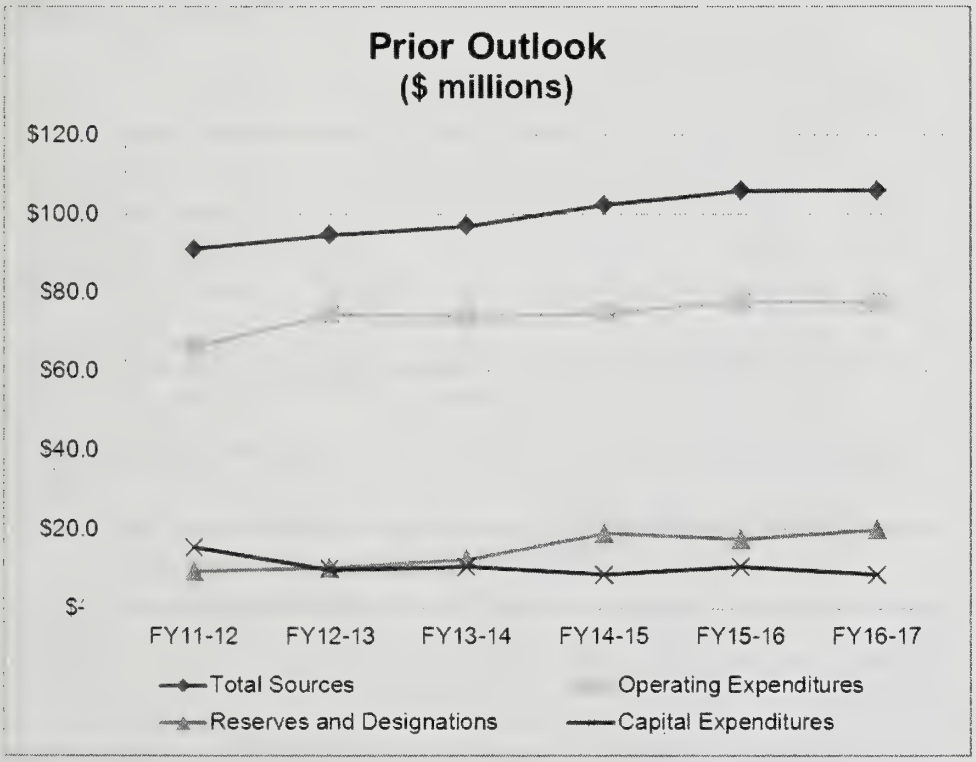

Figure 1: Even with the new Capital Policy in place, the prior forecast only projected an average $9.6 million available for Capital Expenditures.

[6] Ibid.

FIVE YEAR OUTLOOK

The Port's Financial Plan for FY 2013-14 – FY 2017-18 projects a total budget increase of $25.5 million (26%), from $99.0 million in FY 2013-14 to $124.5 million in FY 2017-18, with an average growth of $5.1 million (5%) per year, as shown in *Figure 2* and Attachment 1.[7] The current outlook is more optimistic concerning the impact of economic recovery in the Port's revenues. This budget growth is supported by a 5 percent average annual increase in sources, including Operating Revenues (5%) and Fund Balance (6%). These funds support increases in Operating Expenditures (14%), Reserves and Designations (110%) and, despite an initial decline in the third year of the Financial Plan, Capital Expenditures (30%) over the five year period.

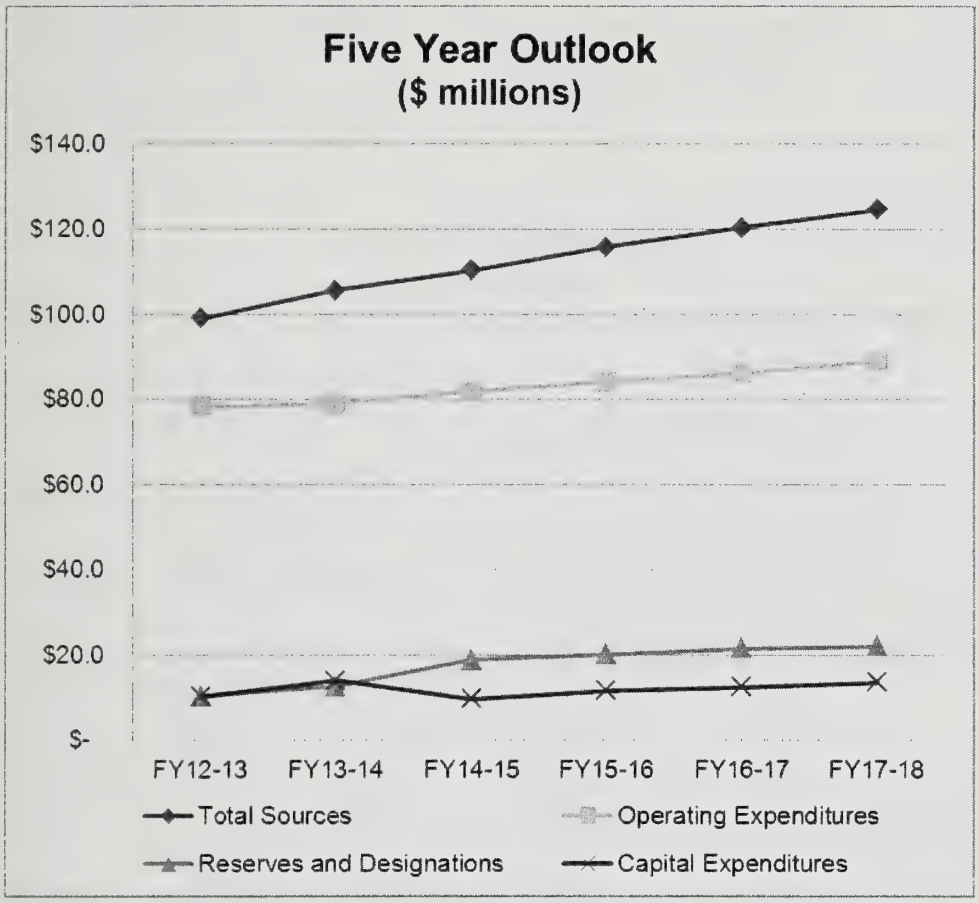

Figure 2: The updated forecast identifies additional sources of funds and prioritizes funding for Capital Expenditures, which average $12.2 million over the five year period. The Capital Budgets FY 2012-13 and FY 2013-14 are higher than FY 2014-15 – FY 2017-18 because the first two years maximize available sources for Capital Expenditures whereas the later years smooth Capital Expenditures with Designations and required Reserves.

[7] For the purpose of this report, "Operating Expenditures" include regular Operating Expenditures, Annual Projects, South Beach Harbor and Marina; "Reserves and Designations" includes the 15 percent Operating Reserve and the Designation to Capital; and "Capital Expenditures" only includes the biennial Capital Budget expenditures.

While this outlook is positive, Port Staff recognizes that the improvements to the Financial Plan are derived primarily from a stronger projection of revenue growth and adherence to the Capital Policy. Compared with recent fiscal years, the growth assumption in this outlook is stronger than actual results in FY 2008-09 and FY 2009-10, but is consistent with growth in FY 2010-11 and FY 2011-12. This appears to reflect a cyclical period of economic recovery. However, deferred maintenance of the Port's at-risk infrastructure and implementation of development projects represent risks and opportunities that will influence the Port's actual generation of revenues. These issues are discussed in more detail at the end of this report.

Funding Source Projection

The Port's funding sources include Operating Revenue and Fund Balance.[8] As *Figure 3* shows, Fund Balance is projected to grow gradually, while Operating Revenue is projected to increase steadily over the next five years primarily due to improved economic trends, annual percentage rent increases, and re-leasing opportunities of the 34th America's Cup (AC34) venues.

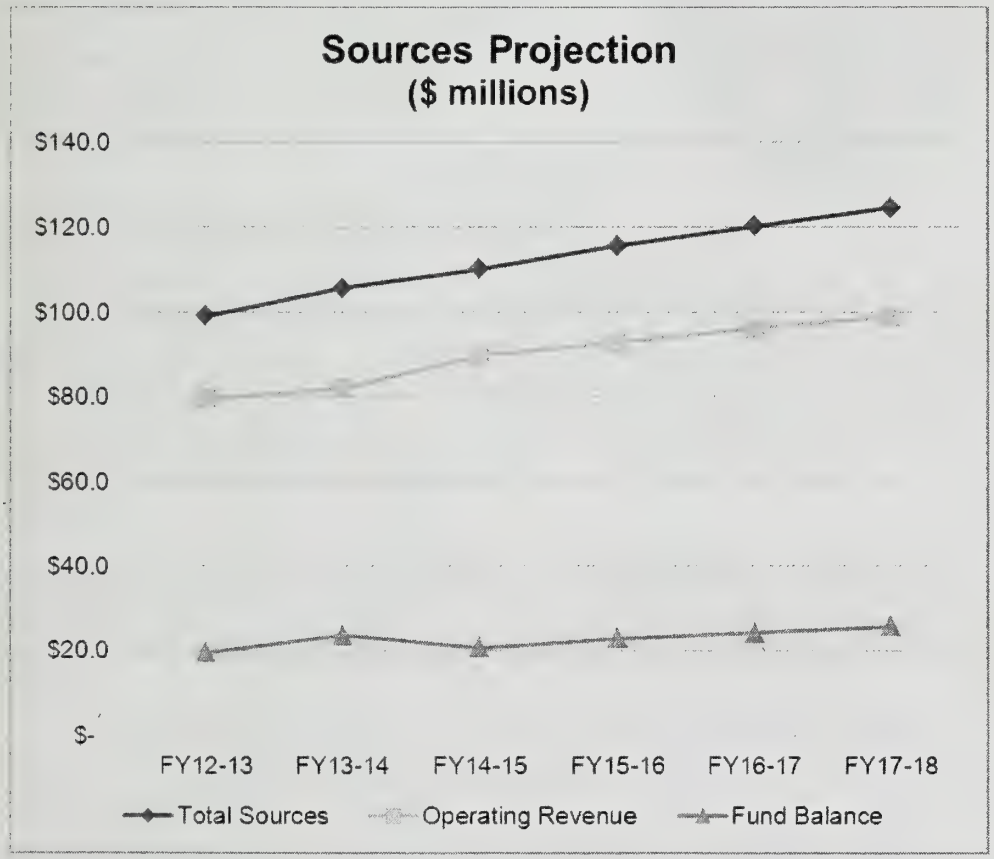

Figure 3: Port funding sources are projected to grow by an average of 5.0 percent annually over the next five years, resulting in 26 percent overall growth in the budget by FY 2017-18. The FY 2013-14 budget reflects higher than average Fund Balance due to strong year-end surplus projections for FY 2012-13.

[8] Fund Balance is sources that are available to budget and spend.

Operating Revenue

Staff projects that over the next five years Operating Revenue will increase by $19.5 million (25%), from $79.5 million in FY 2012-13 to $99.0 million in FY 2017-18, with an average growth of $3.9 million (5%) per year. Of this growth, 67% will be derived from regular operational sources including:

1. *Commercial/Industrial Rent* – Over the five year period, Commercial/ Industrial rent is expected to increase by $7.7 million (18%). Even with the current loss of a $1.8 million annual lease with the San Francisco Municipal Transportation Agency for Auto Return Services at Pier 70, the strengthening economic climate is supporting strong revenue generation along the Waterfront. Notably, these projections include a new $0.6 million annual rental payment from PG&E starting in July 2016 for the extension of underwater powerlines across Port property.

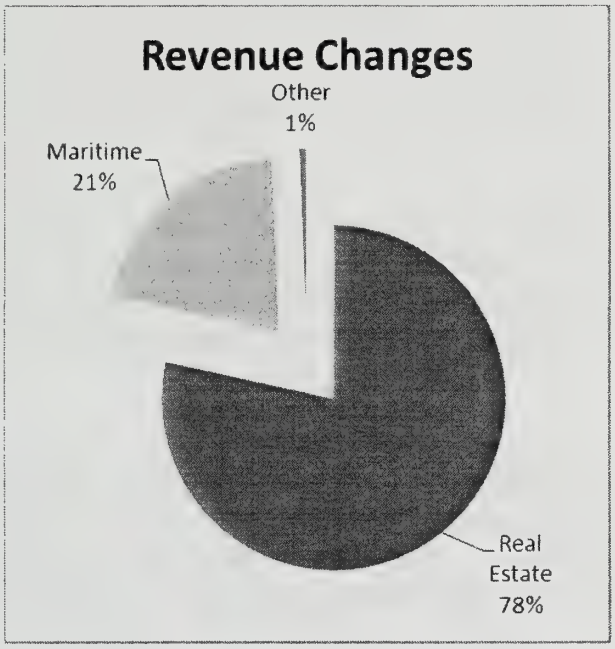

Figure 4: While Real Estate revenue represents the primary growth area for the Port, Cruise and Ship Repair revenue in the Maritime sector play a valuable role in supporting the growing demands of the Port's Operating and Capital budgets.

2. *Parking Revenue* – Meter revenue is anticipated to increase $7.5 million (51%) over the next five years. The expansion of meters along Terry Francois Boulevard and Illinois Street, increased enforcement and parking rents anticipated with the opening of The Exploratorium will all drive ongoing revenue growth.

3. *Cruise and other Maritime* – Due to increased cruise calls and passenger capacity of ships, the Port is projecting $0.8 million (32%) growth in cruise revenue over the next five years. Ship Repair is also projected to show substantial growth of $0.5 million (30%).

The remaining 33% of growth will be related to new initiatives that will enhance current revenue streams, including:

1. *Leasing up the America's Cup Venues* – The forecast reflects leasing the AC34 venues beginning in FY 2013-14. Numerous Port facilities were provided to the America's Cup Event Authority rent free. Once the race ends and the sites are vacated in mid-FY 2013-14, the Port must move quickly to re-lease them to generate much needed revenues. It is anticipated that Piers 30-32, 19½ and 29½ would revert back to parking facilities, with potential for special events on Piers 30-32, and Piers 19, 23 and 29 may offer a mix of parking, office space, high-end retail and/or maker-

space for various crafts. The value of rents from these venues is projected to reach $4.6 million by the end of the five year period.

2. *Cruise Terminal Passenger Facility Charge (PFC)* – Following in the footsteps of other ports on the West Coast, including San Diego and Seattle, the Port is planning to implement a per passenger fee to partially finance the James R. Herman Cruise Terminal at Pier 27. The fee will likely commence in FY 2014-15, once the cruise terminal is operating, and remain in place until the debt is repaid in approximately 16 years. While Port Staff is still analyzing the correct sizing of the fee, the Financial Plan assumes that approximately $0.9 million in annual revenue will directly offset Debt Service, as described in more detail below.

3. *Cruise Terminal Special Events* – Beginning in FY 2014-15 the James R. Herman Cruise Terminal will be operational and provide a new and exceptional location for special events. While economic studies indicate that annual revenues from special events could reach $0.8 million, the Financial Plan conservatively assumes $0.5 million per year plus 3 percent inflation.

Fund Balance

Over the next five years Fund Balance is projected to increase by $6.0 million (31%), from $19.5 million in FY 2012-13 to $25.5 million in FY 2017-18, with an average growth of $1.2 million (6%) per year. This growth is directly tied to the Port's efforts to dedicate Operating Revenue to future Capital Expenditures, such that surplus revenues become available Fund Balance at the end of the fiscal year.

Expenditure Projection

As reflected in the overall budget discussion, Port expenditures are projected to increase by $25.5 million (26%), from $99.0 million in FY 2012-13 to $124.5 in FY 2017-18 million, with an average growth of $5.1 million (5%) per year. This change reflects substantial increases in Operating Expenditures (14%), Reserves and Designations (110%) and Capital Expenditures (30%).

Of the changes in Operating Expenditures, the key drivers are expected to include:

1. *Salary/Fringe Inflation* – Salary and mandatory benefit expenses are projected to increase $6.7 million (21%), representing 60% of all Operating Expenditure growth over the five year period. This change is primarily due to inflation of current salaries and ongoing growth in the City's retirement contributions.[9] The projection conservatively assumes current staffing levels across the five year period; any growth in staff would need to be weighed against other operating and capital priorities.

[9] Proposition C of 2011 increased retirement contributions for workers and increased the minimum retirement age for some labor groups, generating a projected citywide savings of $1.3 billion over the next decade. Despite this measure the cost of retirements will continue to grow for City departments, but at a more measured rate.

2. *Debt Service and Certificates of Participation (COP) Payment* – Accounting for 15 percent of the rise in Operating Expenditure growth, debt service and COP payments are projected to increase $2.1 million (34%) due to new COPs that the City is issuing on behalf of the Port to support several critical infrastructure projects including Phases 1 of the James R. Herman Cruise Terminal project, 34th America's Cup infrastructure projects and the installation of shoreside power equipment at Pier 70. This change is also due to anticipated debt service to repay the revenue bonds the Port will issue for Phase 2 of the James R. Herman Cruise Terminal project.

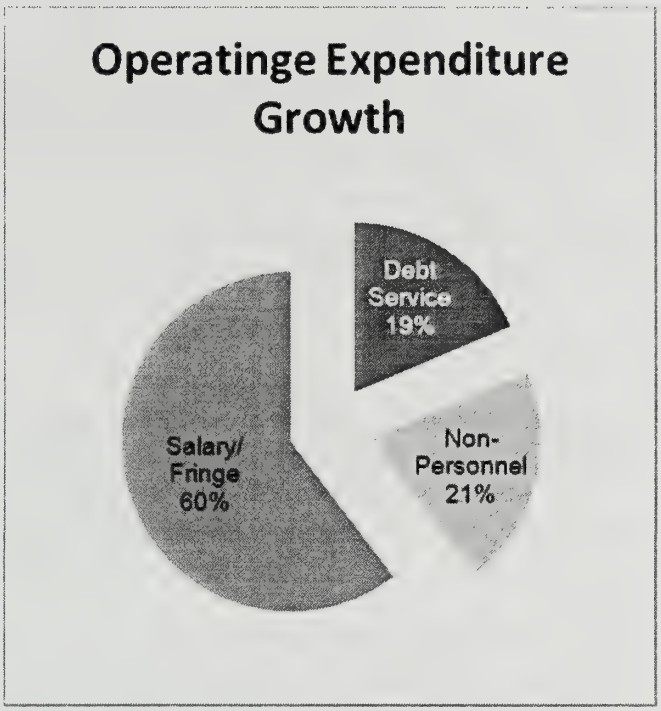

Figure 5: From the base year of FY 2012-13 to FY 2017-18, the primary drivers of Operating Expenditures growth are Salary/Fringe, Non-Personnel and Debt Service expenditures.

3. *Non-Personnel Inflation* – Non-Personnel Expenditures, including materials and supplies, professional services, annual projects and workorders to other City departments including Fire Boat services, are projected to increase by $2.3 million (6%) primarily due to an assumed 3 percent annual percentage growth rate.

Adjustments to capital spending also play an important role in the Port's five-year outlook:

1. *Capital Expenditures* – Annual capital appropriations are projected to increase by $3.0 million (30%) with average funding over the five year period of $12.1 million annually. This is a marked improvement over the $9.3 million average identified in the prior Financial Plan. The improved outlook is due to stronger revenue growth that is not outpaced by growth in the operating budget.

2. *Designation to Future Capital* – Another key contribution to overall expenditure growth (40%) is the designation of operating revenues to future Capital Expenditures.[10] Annual appropriations to future capital are projected to average $7.7 million and are critical for closing the gap between actual funds available for capital appropriations and the 20 percent of operating revenue requirement of the Capital Policy.

[10] At the end of the fiscal year these funds are available to budget for Capital Expenditures in the subsequent fiscal year.

Risks and Opportunities
The process of developing this Financial Plan helped Port Staff identify the strengths and weaknesses within the Port's budget and pursue avenues for improving the Port's financial outlook. Some key risks and opportunities that Port Staff recognized include impacts on the Port's budget and financial position resulting from anticipated development projects, the potential of a 35th America's Cup successive defense and the potential closure of at risk facilities. A few of these risks and opportunities are discussed below.

Development Projects
Other potential impacts to the Port's revenues are the major development initiatives underway by Port Staff and the City as a whole. While these projects are not certain enough to assume within the main body of the Financial Plan, it is necessary to recognize the weight they carry with regard to the Port's operating budget and ability to prioritize funding for critical infrastructure improvements.

1. *Warriors Arena at Piers 30-32 and Seawall Lot 330* – If the Golden State Warriors Arena project is approved, the Port expects to lose approximately $2.0 million per year in existing parking revenue beginning in FY 2014-15. Once the project is complete, an estimated additional $0.2 million per year would be generated from condominium transfer fees, increased parking meter revenues and increased percentage rents from surrounding retail leases. Port Staff is currently working with the Office of Economic and Workforce Development to understand if the City will identify an additional source of revenue to offset the lost Port income.

2. *Giants Development at Seawall Lot 337* – If the San Francisco Giants' Mission Rock project is approved, the Port will lose approximately $0.5 million of surface parking percentage rent revenue during the construction period of the first buildings (FY 2015-16). However, as new parcels are created and rent from each development parcel is brought online, the revenue loss will decrease to approximately $0.1 million in the second year of development (FY 2016-17) and then generate approximately $0.3 million in the third year of development (FY 2017-18). Ongoing revenues will continue to improve with inflation and increased demand.

3. *Seawall Lot 351 (8 Washington)*– If this development project is approved, the Port expects to generate a $3.2 million land payment in FY 2017-18 and $1.6 million per year in tax increment from the implementation of a new Infrastructure Financing District (IFD).[11] The first $5.0 million of that tax increment is earmarked for improvements to the site's park and the remaining funding likely will be used for the Port's most critical capital needs.

[11] The project has been approved, however the ordinance approving increased height on a portion of the non-Port segment of the 8 Washington site is subject to a November 2013 ballot referendum.

35th America's Cup Successive Defense Option

Re-leasing five Northern Waterfront facilities currently serving as 34th America's Cup venues represents a significant opportunity for higher and better uses over previous shed space. A careful re-leasing strategy will provide for uses that complement the investments at The Exploratorium and the James R. Herman Cruise Terminal. Implementation of this strategy is a key driver of the revenue growth in the forecast period, representing 30 percent of Real Estate revenue growth or 24 percent of the overall revenue growth. However, this opportunity depends on the facilities being available after the 34th America's Cup. Should the City have the opportunity to host the 35th America's Cup under the same terms as the 34th America's Cup, the opportunity cost would be approximately $6 million in lower Port rent revenues in FY 2017-18. This could be offset through a transfer from the City to the Port of a portion of the tax benefit a 35th America's Cup would generate to the City, similar to the concept behind the MOU[12] Agreement for the 34th America's Cup.

At-Risk Facilities

The assumptions in the Financial Plan require that the Port's financial performance is strong and that spending decisions, which are reflected in the Capital Budget, provide sufficient funding to address the majority of facilities in need of repair so that they avoid being red-tagged and remain operational. Specifically, the Engineering Division has identified nine such facilities: Wharf J9, Pier 43½, Pier 35 Substructure, Pier 29 Substructure, Pier ½ Marginal Wharf, the Substructure of the Agricultural Building, Pier 2 Substructure, Pier 54 Substructure, and the Pier 92 aprons. The Capital Budget must include funding for four of these projects – Wharf J9, Pier 35 Substructure, Pier 29 Substructure, and Pier 92 aprons in the five-year horizon or the Port will very likely lose the ability to earn lease revenues at these facilities. The revenue forecast assumes continued, and in the case of Pier 29, enhanced revenue generation from these facilities. The projected average size of the Capital Budget of $12.1 million annually, combined with Port Staff's strategy to add a capital funded pile driving crew to address the pier structure repair backlog, is projected to be sufficient to invest in seven of the nine facilities that are in need of repair in the 5-year horizon. The substructure of Pier 54 and the Agricultural Building are not expected to be funded until the cost of these improvements can be recovered through future earnings at these sites.

Environmental Risk

The Port has an ongoing responsibility to maintain and repair its piers, not only for revenue generation and for the benefit of the public, but also to protect the environment. The Port is subject to environmental risks that are common to land ownership in an urban industrial setting and Port Staff are actively engaged in managing such risks. The forecast assumes funding for the storm water and abandoned hazardous materials programs. The Capital Budget also includes projects to respond to environmental issues, most notably the newly funded under-pier utility project. However, the Port's budgets and this forecast only include funding for risks that the Port is actively

[12] An "MOU" is a Memorandum of Understanding between two City departments or Agencies which defines business and operation terms for shared projects or for work requests. The Port and the City executed an MOU in April, 2012 to mitigate Port rent impacts of the 34th America's Cup.

addressing. Potential liabilities and costs could arise from the discovery of contaminants within the Port's jurisdiction that require more immediate corrective action.

The ongoing responsibility to meet regulatory obligations also carries inherent risk. As one example, in 2009, the Port experienced a sizable water leak at Pier 15; the Regional Water Quality Control Board issued a Notice-of-Violation (NOV) directing the Port to develop an infrastructure evaluation work plan and implementation schedule for needed infrastructure improvements. In October 2012, the Port satisfied the requirements of the NOV. This year's Capital Plan presents a more comprehensive strategy for addressing the Port's under-pier utility infrastructure needs.

Regulatory Risk

The recent approval of the 34th America's Cup and James R. Herman Cruise Terminal project included extensive mitigation measures and off-site public access requirements at Piers 19 and 23. This, combined with the ongoing dialog with the San Francisco Bay Area Conservation and Development Commission (BCDC) to identify public benefits,[13] demonstrate that new requirements for public access may develop within the five-year forecast period. While these measures are all valuable improvements that benefit the public and also enhance the value of the Port's property, the consequence of any new unfunded requirement forces trade-off decisions that impact the existing Capital program to address critical at-risk facilities and meet regulatory requirements.

CONCLUSION

The Port's Five Year Financial Plan for FY 2013-14 – FY 2017-18 reflects an increase in funding sources that will cover growing Operating Expenses and address the most critical Capital investment needs. While the Port is anticipated to be able to meet the Capital Policy without forcing reductions in Operating Expenses, there is a clear ongoing demand for repair and replacement resources. This fine balancing act between operating and capital needs is a critical part of the Port's activities in the coming five years.

Also, Port Staff recognizes that the current Financial Plan relies heavily upon strong revenue growth that runs the risk of falling short of projections. It is for that reason that the Port must continue to identify and pursue opportunities for additional revenue generation. While there are a variety of key development initiatives that the City will

[13] In March 2012, the San Francisco Bay Conservation and Development Commission (BCDC) adopted amendments to its San Francisco Waterfront Special Area Plan (SAP) and approved a major permit for the construction of the James R. Herman Cruise Terminal and Northeast Wharf Plaza at Pier 27. The BCDC approval includes off-site public access requirements at Piers 19 and 23 in addition to Piers 27-29, which are included in this 10-Year Capital Plan. In addition, the BCDC approvals require the Port and BCDC to conduct a public process to identify new public benefits that would satisfactorily replace those previously required in the SAP that were precluded by the Pier 27 project (the "Port-BCDC Planning Studies"). These public benefits include identification of a location for a new "Open Water Basin", an expanse of open bay water that would be permanently preserved for public viewing and appreciation of the Bay and public access from the land and water. The creation of Open Water Basins often involves demolition of piers and thus BCDC requires the Port to conduct a survey of its historic piers to assess their condition and costs of rehabilitation which will be considered in evaluating different Open Water Basin options.

actively pursue, the focus must also be on projects that deepen the Port's revenue base to support both growing operational demands and the critical repair and replacement demand of the Port's waterfront infrastructure.

Prepared by: Meghan Wallace, Budget Manager
Finance and Administration

and

Elaine Forbes, Deputy Director
Finance and Administration

Attachments:

Attachment I: Port of San Francisco Five-Year Financial Forecast
Attachment II: City's Five Year Financial Plan

Port of San Francisco FIVE YEAR FINANCIAL FORECAST	Base FY12-13	CY+1 FY13-14	CY+2 FY14-15	CY+3 FY15-16	CY+4 FY16-17	CY+5 FY17-18	FY 2017-18 Change from Base Amount	%	Average Change per Fiscal Year Amount	%
SOURCES										
Estimated Fund Balance	$ 19,525,884	$ 23,663,134	$ 20,664,380	$ 22,982,378	$ 24,031,132	$ 25,495,270	$ 5,969,386	31%	$ 1,193,877	6%
Operating/Capital Revenues	79,480,084	81,935,925	90,129,908	93,350,034	96,020,123	99,002,743	19,522,659	25%	3,904,532	5%
1. Real Estate	57,759,000	59,016,555	65,254,500	68,049,100	70,802,600	73,016,400	15,257,400	26%	3,051,480	5%
2. Maritime	14,641,424	15,910,589	17,587,372	17,907,049	18,223,571	18,709,806	4,068,382	28%	813,676	6%
3. Other Operating Revenues	2,245,945	2,112,307	1,899,000	1,935,000	2,153,000	2,372,000	126,055	6%	25,211	1%
4. Transbay Cable Revenue, Designated to Capital	550,000	550,000	550,000	550,000	550,000	550,000	0	0%	0	0%
5. South Beach Harbor	4,283,715	4,346,475	4,839,037	4,908,885	4,290,952	4,354,537	70,822	2%	14,164	0%
SOURCES, Total	$ 99,005,968	$105,599,059	$110,794,289	$116,332,412	$120,051,255	$124,498,013	$ 25,492,045	26%	$ 5,098,409	5%
USES										
Operating Expenditures	$ 78,390,125	$ 78,990,685	$ 82,358,879	$ 84,923,474	$ 86,474,323	$ 89,455,033	$ 11,064,908	14%	$ 2,212,982	3%
1. Wage Adjustments	22,035,366	22,609,429	22,881,057	23,567,489	24,274,513	25,002,749	2,967,383	13%	593,477	3%
2. Benefit Adjustments	10,521,115	11,736,812	12,860,830	13,432,397	13,762,727	14,242,313	3,721,198	35%	744,240	7%
Subtotal, Personnel	***32,556,481***	***34,346,241***	***35,741,887***	***36,999,886***	***38,037,240***	***39,245,062***	***6,688,581***	***21%***	***1,337,716***	***4%***
3. Debt Service	5,995,560	7,089,872	7,666,600	7,614,900	7,517,900	8,059,600	2,064,040	34%	412,808	7%
4. Non-personnel Inflation, Other	14,230,038	13,315,829	13,744,400	14,333,985	14,837,294	15,248,295	1,018,257	7%	203,651	1%
5. Non-personnel Inflation, Workorders	12,154,662	12,208,954	12,682,400	13,144,960	13,626,342	14,131,531	1,976,869	16%	395,374	3%
6. Fire Boat Operations, SF Fire Department	3,349,084	3,381,148	3,462,073	3,571,636	3,684,828	3,801,779	452,695	14%	90,539	3%
7. Facilities Maintenance, Annual Projects	5,820,585	4,302,166	4,222,482	4,349,222	4,479,767	4,614,229	(1,206,356)	-21%	(241,271)	-4%
8. South Beach Harbor & Marina	4,283,715	4,346,475	4,839,037	4,908,885	4,290,952	4,354,537	70,822	2%	14,164	0%
Subtotal, Non-Personnel	***39,838,084***	***37,554,572***	***38,950,392***	***40,308,688***	***40,919,183***	***42,150,371***	***2,312,287***	***6%***	***462,457***	***1%***
Operating Reserve and Capital Designation	10,373,301	12,608,375	18,849,006	19,878,749	21,323,305	21,762,784	11,389,483	110%	2,277,897	22%
1. Operating Reserve, 15%	10,373,301	10,552,709	10,994,604	11,349,805	11,655,541	11,670,509	1,297,208	13%	259,442	3%
2. Operating Surplus Designated to Future Capital (1)	-	2,055,666	7,854,402	8,528,944	9,667,765	10,092,275	10,092,275	0%	2,018,455	NA
Capital Investments	10,242,542	14,000,000	9,586,404	11,530,190	12,253,626	13,280,196	3,037,654	30%	607,531	6%
Percentage Towards Capital Policy	*14%*	*21%*	*21%*	*23%*	*24%*	*25%*				
USES, Total	$ 99,005,968	$105,599,059	$110,794,289	$116,332,412	$120,051,255	$124,498,013	$ 25,492,045	26%	$ 5,098,409	5%

POTENTIAL ADJUSTMENTS, SOURCES							Total Change	Average Change
Development Projects	$ -	$ -	$ (1,959,762)	$ (2,518,555)	$ (2,179,112)	$ (2,878,839)	$ (9,536,267)	$ (1,907,253)
1. Golden State Warriors, Piers 30-32 Rent Loss	-	-	(1,959,762)	(2,018,555)	(2,079,112)	(2,141,485)	(8,198,913)	(1,639,783)
2. Golden State Warriors, New Revenue	-	-	-	-	-	200,000	200,000	40,000
3. San Francisco Giants, Seawall Lot 337 Parking Revenue	-	-	-	(500,000)	(100,000)	300,000	(300,000)	(60,000)
4. 8 Washington, One-Time Land Payment	-	-	-	-	-	3,213,492	3,213,492	642,698
5. 8 Washington, IFD to Port	-	-	-	-	-	1,549,154	1,549,154	309,831
6. 35th America's Cup Successive Defense	-	-	-	-	-	(6,000,000)	(6,000,000)	(1,200,000)

(1) These Capital Designations appear as Fund Balance in the following fiscal year.

ATTACHMENT 2: City's Five Year Financial Plan

PORT	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	Change
SOURCES							
Total Bases Sources	**$ 99.0**	**$ 99.0**	**$ 99.0**	**$ 99.0**	**$ 99.0**	**$ 99.0**	**$ -**
Adjustments to Base Sources							
Estimated Fund Balance		4.1	1.1	3.5	4.5	6.0	6.0
Operating Revenues		2.4	10.1	13.2	16.5	19.5	19.5
South Beach Harbor & Marina Revenues		0.1	0.6	0.6	0.0	0.1	0.1
Sources, Total	**99.0**	**105.6**	**110.8**	**116.3**	**120.1**	**124.5**	**25.5**
USES							
Total Base Expenditures	**$ 99.0**	**$ 99.0**	**$ 99.0**	**$ 99.0**	**$ 99.0**	**$ 99.0**	**$ -**
Citywide Adjustment							
Wage Rate Increases		0.6	0.8	1.5	2.2	3.0	3.0
Benefit Cost Increases		1.2	2.3	2.9	3.2	3.7	3.7
Non-Salary Inflation		(0.9)	0.0	1.1	2.1	3.0	3.0
Departmental Adjustments							-
Debt Service		1.1	1.7	1.6	1.5	2.1	2.1
Annual Projects		(1.5)	(1.6)	(1.5)	(1.3)	(1.2)	(1.2)
South Beach Harbor & Marina		0.1	0.6	0.6	0.0	0.1	0.1
Fireboat Staffing & Maintenance		0.0	0.1	0.2	0.3	0.5	0.5
Unappropriated Operating Reserve, 15%		0.2	0.6	1.0	1.3	1.3	1.3
Designated Revenue to Future Capital		2.1	7.9	8.5	9.7	10.1	10.1
Capital Budget		3.8	(0.7)	1.3	2.0	3.0	3.0
Uses, Total	**$ 99.0**	**$ 105.6**	**$ 110.8**	**$ 116.3**	**$ 120.1**	**$ 124.5**	**$ 25.5**
POTENTIAL ADJUSTMENTS TO SOURCES FROM DEVELOPMENT							
Golden Gate Warriors Stadium at Piers 30-32							
Lost Revenue due to Rent Credits	-	-	(2.0)	(2.0)	(2.1)	(2.1)	(2.1)
New Revenue	-	-	-	-	-	0.2	0.2
SF Giants Parking Garage at Seawall Lot 337							
Parking Revenue	-	-	-	(0.5)	(0.1)	0.3	0.3
8 Washington Project at Seawall Lot 351							
One-time Land Payment	-	-	-	-	-	3.2	3.2
IFD to Port	-	-	-	-	-	1.5	1.5
35th America's Cup Successive Defense							
Potential Lost Revenue to Venue Sites	-	-	-	-	-	(6.0)	(6.0)
Development Impacts, Sources	**$ -**	**$ -**	**$ (2.0)**	**$ (2.5)**	**$ (2.2)**	**$ (2.9)**	**$ (2.9)**

PORT OF SAN FRANCISCO

SAN FRANCISCO PORT COMMISSION

FEBRUARY 26, 2013
MINUTES OF THE MEETING

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CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE MEETING

FEBRUARY 26, 2013

1. CALL TO ORDER / ROLL CALL

Port Commission President Woo Ho called the meeting to order at 2:35 p.m. The following Commissioners were present: Doreen Woo Ho, Kimberly Brandon and Leslie Katz. Commissioner Willie Adams was not present.

2. APPROVAL OF MINUTES – February 12, 2013

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. The minutes of the February 1 2, 2013 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

At 2:36 p.m., the Commission withdrew to executive session to discuss the following matters:

(1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. ***This session is closed to any non-City/Port representative:***

a. Property: AB 8719, Lot 002, also known as Seawall Lot 337, AB 9900, Lot 62, also known as China Basin Park, and AB 9900, Lot 048 and AB 9900, Lot 048H, also known as Pier 48 (all bounded generally by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street)
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development
*Negotiating Parties: Jack Bair, SWL 337 Associates, LLC

(2) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTERS. (Discussion and Action Items)

a. Discuss existing litigation matters pursuant to Sections (a) and (d) of California Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d):

- Cypress Security, LLC. v. City and County of San Francisco, (San Francisco Superior Court Case No. CGC-12-517696); filed January 27, 2012)

  Discussion and approval of proposed settlement of litigation arising out of Contract no. 86022 for unarmed security guard services provided to the Port of San Francisco. Material terms of the proposed settlement include: (i.) payment of $217,500 to Cypress Security, LLC; (ii.) dismissal of the complaint with prejudice; (iii.) mutual release of claims except for those encompassed within paragraph 9 ("HOLD HARMLESS AND INDEMNIFICATION") of Contract no. 86022 or those relating to contracts other than Contract no. 86022; and, (iv.) each side to bear its own fees and costs, including attorney's fees.

5. RECONVENE IN OPEN SESSION

At 3:16 p.m., the Port Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Brandon moved approval to adjourn closed session and reconvene in open session. Commissioner Katz seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon disclosed that the Commission voted unanimously to approve the Settlement Agreement with Cypress Security LLC, as described in Agenda Item 4.A(2)(a) and moved approval to not disclose any other information discussed in closed session; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS: The Port Commission Secretary announced the following:

A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public

comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. EXECUTIVE

A. Executive Director's Report: Monique Moyer reported the following:

It has been an exciting day for the Port. It couldn't be more gorgeous out on the waterfront. We have important business today, and some great news to start us off.

- Anchor Brewing Company - San Francisco Giants first tenant for the Mission Rock development project - This past Tuesday, February 19, 2013 we were honored to be part of an announcement made by the San Francisco Giants, that Anchor Brewing Company is planning to expand its operations to Pier 48 as part of the Mission Rock development project. This is a huge coup for the Giants and for the Port. It represents a coming around or modernizing of an existing pier for what would have been a historic use, and is still a very modern use. We are very grateful to the Giants for finding such a terrific and appropriate local partner, and we look forward to welcoming them after you get all of your various approvals, hopefully as early as 2014. We commend you for that and thank you for including all of us at the Port in the event. Our only sadness for the day was that it wasn't a post-5 o'clock event so that we could all enjoy the new product that will be moving to the waterfront. I assume there will be time for that. Just a note on the ribbon cutting -- post-5.

- Street Closure - We are going to have a street closure on Friday, March 1, 2013 beginning at 10 p.m. The closure is going to be on the northbound Embarcadero from approximately Pier 38 to Bryant Street for more cement to be poured at the Brannan Street Wharf project. There will be approximately 500 cubic yards of cement poured, representing about one-sixth of the deck. This is one of the most critical pours, and once it has set and been sealed, then we can reopen the promenade. As you may recall, the promenade has been closed for the past two and a half weeks as we've been repairing the seawall and building the new promenade on top. This is very exciting. With the best of luck and the best of weather, the promenade will reopen on March 6, 2013. We hope that all of our neighbors and partners will forebear with us just a little bit longer. It is really going to be an amazing space when it's completed in June.

- Sunday Streets on The Embarcadero - March 10, 2013 from 11 am to 4 pm Sunday Streets will be kicking off their 2013 season here at the waterfront, beginning Sunday March 10, 2013 from 11 a.m. to 4 p.m. There will also be a corresponding event related to the Exploratorium, where they're going to have the travelling Exploratorium at different sites in the city, one of which will be in front of their new home at Pier 15 on the Embarcadero. We are looking forward to kicking off that day, and moving into a regular season.

- Ribbon Cutting Ceremony at the James R. Herman Cruise Ship Terminal – As I mentioned in my Executive Director's report at the last meeting, today we had the great honor of cutting the ribbon of phase one of the James R. Herman Cruise Ship Terminal. It is a stunningly perfect building. As I mentioned in my remarks earlier, it has been a great tribute to the San Francisco brand of "only in San Francisco" for so many attributes, not the least of which is that, with one small exception, it is all American labor and materials. That is really gratifying. I think it is going to be just a great legacy project for the Port. I want to especially thank a whole cadre of Port officials and staff who have made this happen over a long period of time. I'd like to first start by recognizing Peter Dailey and the entire Maritime division, because they just never, ever accepted "no terminal" as an answer. They kept us working hard and envisioning hard for that, and thank God they did.

  I'd like to single out John Doll and the development team. I'm not sure what went through John's mind when he was asked to yet again lead a cruise ship terminal project, but he did it willingly and successfully.

  I want to thank Mark Lozovoy, Jay Edwards, and the real estate team for shepherding our beloved tenants to lovely new homes along the waterfront, which was not an easy task but one that was fairly seamless.

  I can't thank Diane Oshima and Brad Benson enough, and a cadre of others for their amazing work on the environmental team of the Port and the environmental product that came forward. I know that Diane sacrificed some exceptionally good personal time with her daughter's college graduation. She made it to graduation, but she rushed back to work on the EIR, and we will be forever grateful for that.

  I want to recognize Elaine Forbes and the finance team for miraculously finding and printing money somewhere.

  I want to recognize Tom Carter and the maintenance personnel for all of the work they have done in and around the site.

  I especially want to recognize Kim von Blohn and the engineering team for their fantastic project management, their flexibility as the project kept evolving, and as their budget kept getting cut. Without them, I don't know that we would be here today.

  Lastly, I would really like to thank you, Commissioners because this has been a long process for us. It is not a traditional process of find the money, design it, bid it, built it. We did everything new and different. You had a lot of confidence in us, and you supported us, and you shared your creative ideas with us, and we thank you for that. Your legacy of leadership and support is now memorialized in a fantastic building there at Pier 27, and I want to thank all of you for that.

There are so many other departments and divisions to thank -- the City Attorney, the Office of Economic and Workforce Development, Department of City Planning, Department of Rec and Park. The list goes on and on and on. I want all of the Port staff to know how proud I am of all of you, and I thank you for the opportunity to get to be the one to receive all the kudos for your work. Now I am completely, 100 percent a discipline of Willie Brown because his motto was always, "Take the credit when the credit comes, and run from the criticism." So I have apparently arrived, so thank you all for making that happen.

Commissioner Brandon - I want to thank the Giants for bringing the first tenant to the project. I think that's great. I'm sorry that I missed the press conference last week, but it's very exciting that Anchor is moving to Pier 48. I also want to congratulate Monique and all the staff on the new cruise terminal. I just think it's phenomenal. After 20 years of trying, we finally got it right, and we did it ourselves. Staff should be very proud of this effort. Everybody working together is just wonderful. To come in on time -- well, a few days early -- and within budget is just wonderful. Congratulations!

Commissioner Katz - I wanted to echo those same comments regarding the cruise ship terminal. I was fortunate to have John Davey lead a guided tour, which gave me an increased appreciation of all that was done by the staff to really make it a reality. To your point, Monique, to take credit where credit is due, I think you really do deserve tremendous amount of thanks and credit for shepherding such a phenomenal team to make this happen. Thank you for making it a reality. We couldn't have asked for a more spectacular day for a ribbon cutting this morning. My only concern is we may have too many people coming off those cruise ships wanting to move to San Francisco.

Commissioner Woo Ho - I already made some public comments earlier at the press conference, but I also want to thank Monique and the staff, and all the departments that have worked on this. It's just quite amazing. I think we're very impressed. I wasn't here when the Commission debated this years ago, but the perseverance, the determination of all the parties involved to make this happen is incredible, and it's going to speak to what we're all doing, all the projects on the waterfront. We're going to continue with that determination and vision and we're going to make it happen. We're very excited to see the Exploratorium is coming up, but this is the first one at least under my term that I've seen. There's many more to come, and I'm very excited about that.

9. CONSENT

The Commission Secretary announced that Item 9B has been taken off the calendar.

A. Request authorization, subject to Board of Supervisors' approval, to accept and expend (1) $300,000 of the $919,243 grant for Portwide CCTV (Resolution 13-03) and (2) the entire $403,510 for Pier 80 security improvements in 2011

Infrastructure Protection Program Port Security Grant Program funds from the U.S. Department of Homeland Security for security improvements at the Port of San Francisco. (Resolution No. 13-04)

B. Request authorization to advertise for Competitive Bids for Construction Contract No. 2761, Blue Greenway Signage. (Resolution No. 13-05) **THIS ITEM HAS BEEN TAKEN OFF THE CALENDAR**

C. Request authorization to execute a modification to Contract No. 2757, Pier 50 Valley Substructure Repair, with West Bay Builders Inc., to extend the original Contract duration of 240 days by an additional 71 days. (Resolution No. 13-06)

D. Request approval of the Port's supplemental appropriation to the Biennial Operating Budget and Capital Budget for Fiscal Year 2012-13 and 2013-14. Resolution No. 13-07)

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution Nos. 13-04, 13-06 and 13-07 were adopted

10. REAL ESTATE

A. Request approval of a First Amendment to Lease No. L-15202 ("Lease") with Cabouchon Properties, LLC, a California Limited Liability Company, located at Pier 9 to provide a maximum of $100,000.00 in rent credits for Core and Shell improvements. (Resolution No. 13-08)

Jeffrey Bauer, the Port's leasing manager – I'm asking your approval for the first amendment to Cabouchon Properties. Cabouchon Properties previously was located at Suite 114. They had been a tenant for almost ten years at that site. Following negotiations with Autodesk for a partial expansion, Cabouchon voluntarily agreed to move to another office, Suite 105, which was fortunately available at Pier 9. Cabouchon's lease does allow the Port to relocate them, but to a similar office, similarly improved. Port staff was able to negotiate with Autodesk a payment directly to Cabouchon for $225,000 to make these improvements to Suite 105. Following a more intensive investigation of Suite 105, several unforeseen conditions came to light that requires an additional $100,000 in core and shell improvements to the suite. If approved, the credit would be deducted per month of $17,554. The Port would then receive $3,861 net rent. We believe that the investment of Autodesk of $225,000, in combination with the $100,000, is a direct benefit to the Port and greatly enhances Pier 9. It should be noted that Cabouchon had two years on the lease.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 13-08 was adopted

11. PLANNING AND DEVELOPMENT

A. Informational presentation on the Term Sheet between the Port and Seawall Lot 337 Associates, LLC for the mixed-use development of Seawall Lot 337 and Pier 48 bounded by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay and adjacent to AT&T Park.

Phil Williamson, Port project manager for the Seawall Lot 337 and Pier 48 development opportunity - I'm here to introduce our mini-program. The first speaker is going to be Mike Martin from the Office of Economic and Workforce Development, to describe his office's role in this project. After that, I will come back and talk you through and walk you through components of the term sheet. I'll also ask Jonathan Stern to come up and talk about financial components of the term sheet before concluding.

Mike Martin, development manager in the Office of Economic and Workforce Development - I wanted to take a few seconds to give a little bit of the broader citywide context of the project. Basically, for kind of linear storytelling reasons, we wanted to start for the broad picture and then come down to the specifics that are in the term sheet that's before you today, and a lot of the good thinking that's gone into the project plan itself. My role here is going to be very brief, but also to talk about the partnership that's formed over the past several months that I've been involved, but obviously stretches back five plus years from today. Obviously this is a great milestone.

The lead slide on our presentation shows a lot of how important this site is. In a time passed, would be called a crossroads. I've been calling it a hinge between the South of Marketing and downtown, and the growing areas south of China Basin with Mission Bay, with Pier 70, with shipyard Candlestick.

You see this opportunity outlined in yellow, and you start to visualize what a 24-hour, vibrant residential and commercial neighborhood could do to activate what is already a really exciting part of our city. Obviously, what we want this project to do is not only to do that, but to do that in a way that enhances the opportunities that surround the site, but also to address considerations on the local and the citywide level that conspire to create what we want San Francisco to become.

The exciting part of the waterfront developments that we're seeing now is it's really become the chance to learn from what we've done before and to do things better. What we saw today with the Cruise Ship Terminal ribbon cutting was another step in that same direction. Soon we'll see that with the Exploratorium and hopefully very soon we'll see that with Seawall Lot 337.

Over the course of the five years, a lot of different policies affecting development have evolved. We've seen broad initiatives, like the Eastern Neighborhood Planning Process, that sought to try to visualize what San Francisco was evolving to become in terms of its mix of businesses, residents, and amenities.

You had other policies that were being addressed through ballot measures and through board legislation, like the workforce development provisions, as well as affordable housing and providing affordable housing for the people that live and work in the city.

In addition, we had sort of the evolving understanding of the new infrastructure financing district financing tool that presents opportunities but also challenges, in that it hadn't been used in a way that was so directed towards development like this one. A lot of thinking has gone on during that time that has really improved the project as it's been brought before you today.

With the continued build out of projects within this area of the waterfront, which includes obviously Pier 70 and the proposal at Piers 30-32 for an arena as well as the ongoing projects that we see out there for example, Mission Bay, which is coming into focus, with the shipyard Candlestick, which is doing the same, there was a premium on having a really coordinated approach.

What I've been really very much enjoying is to see this partnership take root in the time that I've been involved with the project. It has obviously three legs to the stool. I think the Port of San Francisco obviously is the steward of this opportunity, and Port staff -- starting with Jonathan Stern, Phil Williamson, Brad Benson -- all have brought forward a really fantastic proposal to this point. Then we also have Seawall Lot 337 Associates, also known as the Mission Rock Team, the wholly owned subsidiary of the Giants. I don't need to talk about how great a corporate citizen the Giants are. Even aside from their recent success on the field, the things they've been able to do in the neighborhood, integrating with the city's fabric over the decades they've been here, is something that would be an asset to any project, but especially to this one as it really becomes a neighbor to the ballpark.

Then my office's role with the city, the Office of Economic and Workforce Development led by Jennifer Matz, the Director of Waterfront Development, what we're hoping to do is to assist in coordinating the city policy dialogue on the citywide policy issues, but also to apply lessons learned on other master plan developments, like this one is slated to be. I've mentioned a few of them -- shipyard Candlestick, you've got Treasure Island, the redevelopment of Park Merced. Each of those having sort of a kernel of learning that we're applying in this term sheet to good use, to create hopefully more value for the project, more value for the Port, and citywide benefits.

There's a number of different initiatives that sort of bear on what's in front of you in the term sheet. There is a waterfront transportation assessment that you've been briefed on by the Municipal Transportation Agency. That's really been a critical dialogue that started around these waterfront projects. As I mentioned before, we're taking a look at the build out that's happening, the build out that's proposed, and looking at what is needed to make this part of the city function as a 21st century new neighborhood.

Looking at all of the different modes of transportation is critical, and doing that ahead of the CEQA process for each of those projects is critical. It's not each project with a narrow focus. It's looking at the cumulative effects, and understanding what needs to come forward to make this work, from a transit perspective, from an automobile perspective, pedestrians, bikes, all of it, what makes the city infrastructure work. That's been a great boon, and one that hopefully we'll continue to pursue over the coming months.

Infrastructure financing and implementation of building out the infrastructure. As you can see on the prior slide, this is currently a flat parking lot. We have to build roads, utilities. We have to do storm water management, all the things that are needed for a neighborhood. What we'll talk about a little more later is doing that in an efficient way, doing that in a way that's well thought through with the city's Capital Planning Committee about how we build out infrastructure in conjunction with a master plan development, in a way that minimizes those costs so the land value really comes back to the develop and to the Port. That's something that we are proud of in this term sheet, and something that we'd like to work with our teammates to actualize as a new way of doing things here in the city.

Going back to the CEQA point I made on terms of environmental review, as you know, I worked also on the America's Cup environmental review. One thing we learned there was the value of getting out ahead of the environmental document with your conversations about things like transportation, reaching out to stakeholders. The Giants have done a great job with the community, and looking to address concerns in a way that we can then start the CEQA process with answers, instead of using the CEQA process to say, "Here's an impact. You've got to find an answer." That's something that will stand this project in good stead going forward.

Lastly, one that's on the tip of a lot of tongues these days is sea level rise. This project has done a great job of walking the walk that we need to see on the waterfront of a bay that's affected by rising sea levels in terms of, for the project itself, having a project plan that really addresses sea level rise and resilience in the project site. We've also been able to continue that dialogue beyond the project site.

One of the things that I personally am excited about is, during the infrastructure financing district policy discussions and the policy that the Port has drafted, thinking about ways that increment or infrastructure financing dollars that come out of the district that aren't needed for the project could be used to improve the city's seawall.

Because as we know as the sea levels rise, we're going to need to have a strategy to protect obviously downtown and all along the waterfront, in ways that aren't necessarily going to be addressed by new projects of the scale of this one. That's something that you have a direct view but also a broader citywide benefit that we're excited to see.

This partnership will continue through the term sheet approvals process we're in now, hopefully through the entitlements, and then on to the DDA and the actual build out. During that time, the goal would be to reconcile the demands and objectives of this type of development, but at the same time retaining the unique attributes that the Port has brought forward during its stewardship of the waterfront over the past 150 years. I mentioned the other projects we're all excited about now. This would be one more sort of jewel in the crown around the waterfront.

Phil Williamson - In September of 2010, we entered into an exclusive negotiation agreement with the Giants, and have been moving forward since then. Last March, another milestone in our ENA was submittal of the revised proposal. Today, we bring you a term sheet for your review as an informational item. We look forward to bringing that to you at a subsequent meeting for your consideration as an endorsement item.

The project is a mixed-use project that includes 3.6 million square feet of built-out space. That represents 11 development sites that could accommodate up to 1.7 million square feet of brand new office space, up to 1500 new residential units, over eight acres of parks and open space, new streets, new access to the water, several hundred thousand square feet of retail that would activate the site, and be used by people working there during the day and by residents living there around the clock, by the neighborhood, by the region, by visitors to San Francisco.

The infrastructure for the site is phased and intended to be delivered as needed, so it's not built too quickly and at too high of a cost, but to be delivered just in time to supply buildings in a timely fashion so the infrastructure is used as soon as possible after it is constructed. The infrastructure is funded privately by the developer, and we are negotiating mechanisms to reimburse them for their cost such that the infrastructure would be owned ultimately by the Port and the city for the long-term benefit of the Port.

The goal of this project and the goal of our negotiations has been to increase land value, to realize the value that this asset at this prime location, as Mike mentioned, as a hinge point to the working southern waterfront. Our negotiations, as you'll hear later, we believe we've accomplished that. We have more work to do obviously, through the DDA and executing the transaction documents. Today we bring you a very well thought out term sheet that looks at risks and has answers for risks, and provides a framework for moving this project not only through the entitlement process, but also to construction, completion, and generation of port revenues.

Going back many years, we have a very healthy, robust public outreach program that we've been following. These are some of the groups that we've met with including the Maritime Commerce Advisory Committee of the Port, which was a very refreshing discussion, highlighting for us issues we've already been

tracking. It's always good to hear from the users of the Port their viewpoints about adjacent development, especially our maritime users.

We see this project as complementary to the Port's working waterfront, and complementary to what's happening at Pier 50 and south of Pier 50. We are working with the maritime group and others to listen to concerns, and shape the project accordingly going forward.

The land use summary on this slide shows that we are trying to create and believe we have a successful plan for creating a new mixed-use neighborhood that links Mission Bay to the city and to the working waterfront. This site takes advantage of what we've learned from Mission Bay, which, as many of you know, is consisting of fairly large blocks of commercial development, for the most part, that are very efficient but not necessarily extremely friendly to pedestrians and to people trying to navigate through the site, especially to the waterfront.

This site learns from that, and breaks the blocks pretty much in half to create a smaller-scale experience for the pedestrian, and ways to see the water, ways to get to the water. We believe that also adds value to the property.

The land use plan employs flexible zoning that takes advantage of market conditions to ensure a vital mix of uses and users. The thinking here is to have somewhat of a flexible approach with maximums so we ensure a mixture of uses, but also to make sure we can respond to the market with the appropriate supply of residential and commercial uses.

This slide tells a really good story, especially the upper part which highlights today what we're contemplating. Going back to 2007 on this slide, we began the process to figure out how to use this site to best generate revenues and best support the Port's Public Trust Mission.

Six years later, we come before you with a term sheet for your review. It marks a watershed moment in this project, culminating in the public meetings, countless meetings with the team that Mike described, and countless meetings with you as well. We believe today, we are at a juncture that really catapults the project into the entitlement process and the CEQA process.

Leading to the bottom part of the slide, which outlines how the site could be built out, with market projections of today's forecasters. Starting in 2015, again highlighting the just in time infrastructure approach, a building would be leased, a design would be drawn up and approved, and building would be constructed, all that happening before any infrastructure work is done. So that when the building is complete, on a construction schedule that typically is two years, the infrastructure is complete at the same time. That repeats itself for each phase through project build out in approximately 2021, 2022.

The site is currently zoned legacy zoning from an old Mission Bay plan. Seawall Lot 337 is zoned as open space. Pier 48 is zoned M2, heavy industrial. Going forward, one of the tasks of the project in the entitlement phase will be to rezone the site. Our approach is going to be through a special use district. Of course, that has to occur after environmental review, but that is the approach we've outlined and we think is the most achievable way to accomplish the land use program for the site.

As far as project massing, since the RFP phase of this project, we've heard and we've recognized that this site, with its location and its proximity to Mission Bay, has an opportunity to differentiate itself from Mission Bay and also complement Mission Bay. We think that doing that with some height on the site is a key way to do that, to not only differentiate it aesthetically, but also to add the density that makes the site vital and vibrant.

Our studies so far are leaning towards up to two tall slender signature residential towers, with height limits ranging from 90 feet at the low end to 380 feet at the high end. The SUD would also require amending our Waterfront Land Use Plan. A feature of many of our projects along the waterfront that recognize the land use plan is a great tool for guiding us but its vision in 1997, when it was approved, now needs to be amended to reflect the reality of today's development market.

This slide is interesting in that it kind of shows you where the height on the site is contemplated. This is not exactly what we think will happen. It's an idea. It's a concept of what could happen on the site as far as where the density and the mass of the project could end up. We are meeting with the community, with city regulators, to figure out the best place for height and the most sensible heights to approach the neighborhood, and, again, to ensure that the density that we desire for revenue purposes, for activation purposes, is achieved.

The blocks are lettered A through H and the height right now in this proposal would be concentrated on block A, block F, and block C. The heights on the remaining parcels are very similar to what you see in Mission Bay, with its maximum height of 160 feet.

The entitlement process will involve working with our regulatory partners, among them BCDC and State Lands. There are others as well but these are the two prime regulatory partners we're already engaged with, having a good relationship with, have a healthy dialogue with, and look forward to working with them to accomplish these tasks.

As you saw in the first slide, and as you know from experience, the seawall lot is currently a surface parking lot that accommodates roughly 2000 striped spaces. Going forward, the project proposes a parking structure in the southwest corner of the project site. We call that parcel D. The parking structure currently is being designed to accommodate approximately 2300 cars. There are additional parking spaces in other buildings on the site.

The timing of the garage itself is thought best to occur early in the project. As the parcels are taken down for development, surface parking goes away. Having the garage available to meet that demand will lessen impacts on the neighborhood as far as the visitors needing to park for the ballpark. As the project is built out and grows, the users of the project also need parking. Getting the garage done early is seen as a key construction goal.

The project team is working with MTA. They are interested and are looking at this garage as a project of their own to finance and manage. We do not have a definitive response or definitive answer to that yet, but we are in a healthy dialogue. The demand is obviously there to warrant investment. We look forward to working with MTA and updating you on that progress as we go forward.

We also want to point out that the Port does not expect to provide any public financing , except CFD bond financing, for the garage, that's repaid by special taxes on the parcels from the site, or taxable parcels off the site that benefit from the parking structure.

The project will meet its affordable housing requirements, and is in discussion with the Mayor's Office of Housing to best meet the needs of the Mayor's Office of Housing. By law the inclusionary requirement is 15 percent of the units at 55 percent of the area median income. That is a goal that we will achieve. We are also working to look at other mixes of median incomes that might address workforce housing needs and things of that nature, and are open to working with Olson Lee at the Mayor's Office of Housing to come up with the best use of the site to meet his department's needs.

The affordable housing, it's important to note, will be delivered in a balanced manner throughout the project, not all at once, not at the beginning, not at the end, but in a phased approach to deliver it throughout the build-out period.

The project is very pleased to have been recognized by the City's Planning Department as one of three potential eco-district sites in San Francisco. That is a recent announcement that you may have heard about a few weeks ago. We have been, even prior to that, actively looking at different sustainability measures that would conform with eco-district, including centralized heat, centralized waste collection, things of that nature. The recognition by City Planning of this site's eco-district capabilities is encouraging. We're exploring as many options as we can to make this site a model for the city and a model for other developments.

The project will be built with a comprehensive traffic demand management plan. As Mike mentioned, we benefit from Peter Albert's work at MTA on the Waterfront Transportation Assessment, which is helping to inform the traffic thinking for this site and the other sites along the waterfront. We've found that this has been a key issue with the adjacent neighborhoods that transit through

this part of the city could be improved, from their perspective, both in terms of scheduling, operations, and ongoing operational maintenance of infrastructure.

We think this project, in concert with the other projects, as detailed in the Waterfront Transportation Assessment, will point the way to real and significant transit improvements for this part of the waterfront, including the potential of adding an E line loop to either this site or a site in this vicinity, that would allow a turn back for the historic E line cars that will be coming to this part of the waterfront from Fisherman's Wharf. An early turn back increases the ridership capacity of that line and would make it more viable.

This is an exciting potential use of this property. You may remember one of the earlier project proposals in the RFP phase showed some sketches of what that might look like. That idea is coming back full-circle to be that something could indeed be viable. We'll keep you apprised of that as we go forward.

The project promises many jobs, both at the construction phase and at full build out. 9600 jobs are estimated to be onsite for the construction over the build-out period. Upon build out, this site is estimated to support over 11,000 jobs, both in the office sector and retail sector primarily. Obviously, there will be jobs associated with the Anchor Brewing Company proposal at Pier 48 as well.

The developer is very committed to fostering local job opportunities, and develop an overall framework that addresses the project's mix of funding sources, with private and public, to assure that jobs and contracting opportunities are directed, to the extent possible, to local, small, and economically disadvantaged companies. The developer, along with the Port, has been very actively involved with labor and with community advocates on these topics, and looks forward to continuing those discussions.

Now going into the deal structure, I want to highlight the parcelization of the site. The development phasing is key to making this site work, key to creating value in these parcels. The value would be verified through market value appraisals. We realize that is a moment in time where we will have to assess the value of a given parcel, and have a process set up to do that in our agreement. The deal involves, as mentioned, the efficient delivery of public infrastructure, and a mechanism to reimburse and acquire that infrastructure.

One of the overall goals of our negotiations has been to increase the land value to the Port to generate higher revenues over time through a combination of base and ongoing participation rent. We also believe we've created an environment and a document going forward where we are sharing the upside risks as well as the downside risks.

Overview of the financial terms - With the DDA approval, the developer, the Giants and Mission Rock Team, master leases Seawall Lot 337, much along the terms of the lease that we currently have in place for the parking lot. Developer is and will continue to pay all predevelopment costs, and will be repaid with

market-based rate of return. Developer will pay all costs to install the infrastructure, and be allowed to market all the parcel leases with the reserve price of no less than allocated share of the $3.5 million in base rent.

The Port has agreed to one or two prepaid leases upfront as a way to generate revenues quickly to pay down predevelopment costs, and therefore reduce the amount of carry on those costs. Each individual parcel will have a lease that includes annual participation, participation in sale and refinancing events, and base rent resets.

One of the first tasks that we will accomplish upon DDA approval is executing a master lease, very similar to the terms of the lease that is there today. That allows horizontal development to begin, with the developer building infrastructure, parcelizing and marketing the site, the Port and the city working to create an CFD, as Mike talked about briefly, and the developer having options to develop the parcels going forward.

It's important to note that each of the parcel leases would be a direct lease between the Port and that vertical developer. We will have a long-term interest in these leases going forward, and direct relationship with the vertical developers. These terms are reflective of today's parking lot lease. This is the master lease, what we execute immediately for control of the site.

The infrastructure development is privately funded. We've come up with a mechanism for reimbursing the developer, their costs and return on those costs. To do that, we would assess each parcel's development rights value. That would be a cost that the vertical developer would pay. We would also reimburse through proceeds from any trust swap parcels. This site has the potential for creating a parcel, taking it out of the trust completely with State Lands Commission approval, and selling that on the open market. That would generate revenues in the early part of the project, again, to retire high-return costs. Reimbursement would also use special taxes and net increment, and potentially public bond proceeds from public financing mechanisms.

The returns to the developer for these costs, and this slide go into some detail about those returns. The return will be the greater of 20 percent of annual return on their unreimbursed equity, and 1.5 times the peak equity, the highest balance of the development cost that's outstanding at that time. We have created a mechanism to incentivize the developer to complete the build out as quickly as possible, and to achieve maximum rents for the Port. Should those rents reach $4.5 million, we've created, again, an incentive where the developer would share in that rent when it reaches that threshold. The returns do have a cap on them so that the Port is not exposed on the backend. The controlling risk line here talks about how that cap works should we have a shortfall in our predevelopment rights sales.

Public financing is a valuable tool. It helps us reduce project risks, it accelerates the public benefits to the site, and it increases Port rents. The sources for public

financing, reimburse the developers eligible horizontal cost, as we discussed. There's a detailed financing plan set forth to describe the mechanisms and the phasing of the public financing mechanisms.

One of the sources for reimbursing the developer's predevelopment and horizontal cost was a development rights payment. This is a source of funds from which the Port reimburses the developer. The vertical developer of each developed pad, each developed parcel, is required to make this payment as a condition to entering into the parcel lease. It's in addition to the rent that the parcel will develop to the Port. It's a payment that is determined by the amount of horizontal costs that have been spent and need to be retired. There's a process to determine that, that will involve real estate professionals, brokers, to make sure that the high return costs of horizontal infrastructure are paid down as quickly as possible.

The master lease is between the Port and the developer for the entire site. As each pad is readied, each pad would be leased under a parcel lease. The next slide goes into some description of what those parcel leases look like. One of our tasks between now and the DDA and the master lease execution is to come up with a form of parcel lease, which you'll see in some detail going forward. It's largely mirrored on our leases to date, and will be customized to fit the site and the uses that are contemplated for each parcel.

The reserve rent is a minimum of $3.5 million in annual base rent for eight of the development parcels, which excludes the lead parcels, the prepaid parcels we discussed that will be used to generate revenues in a quick fashion to pay down predevelopment costs. It excludes the lead parcels, parking structure, and Pier 48. The $3.5 million is attributable to the remaining eight parcels. The initial base rents, the annual rents will be determined based on a fair market lead holder appraisal accounting for the development rights payment.

The lead parcels are transferred to the developer by parcel leases, and in which rent will be fully prepaid, again, to retire those expensive costs as soon as possible. There are mechanisms in the parcel lease that we are contemplating that increase the base rent every ten years, and also allow for a percentage rent structure to benefit the Port over the long-term life of these assets. The leases have provisions for generating additional revenues to the Port, in the out years, especially, provisions for participating in capital events, as described in this slide.

For instance, one percent of the sale price of a residential condominium going forward, this is a tool we've been using in other Port projects, initially with the Watermark condominium project down across from the Bryant Street Pier, and also on another project in the northern waterfront. It's a way to perpetually benefit from these properties going forward, if there is a condominium built on the site. Also, on commercial condominiums, 1.5 percent of net proceeds going forward. Should one of the buildings be refinanced, the Port's entitled to a transfer fee of 1.5 percent of the net proceeds of the refinancing, excluding the

proceeds designated for investment that actually come back to the site and invest in the property to keep it in a productive mode.

The slide discusses and describes the developer's options for the parcel leases. I mentioned earlier that there will be eight development parcels on the site in addition to the two lead parcels. The developer will have the option to lease those directly, and be the vertical developer that the Port executes a separate lease with.

We would meet and confer with the assistance of a real estate professional to decide when the market supports a vertical development on a given parcel. Once we have decided to proceed with the development, we would issue joint instructions to an appraisal to value the site so that we have a known fair market value. After all that happens, if the Port still believes that there is an economic justification for proceeding with the lease, and if for some reason the developer believes otherwise, we have a right to put a parcel to them, requiring them to exercise the option or to lose it.

Certain parcels may be offered by an RFP to establish a lead hold value where we would meet and confer and hire and appraiser to assess a parcel's value. This is another tool we have to use the RFP process, a process the Port's very familiar with to conduct an RFP and a bid, if you will, an action to determine the fair market value.

As Monique mentioned at the beginning of the meeting, we are very pleased and very excited to be moving forward with the first tenant for the project at Pier 48, Anchor Brewing Company. We have been meeting with them off and on for some months now, and believe that this site holds promise for their expansion, holds promise for their brand, and is a good way to activate a historic structure with historic use in the city. It's a good marriage of uses and property locations, and will also help to activate the remainder of the project site across the street at Seawall Lot 337.

The lease terms for the Anchor Brewing Company use of Pier 48 would be similar to other warehouse leases that we have done along the waterfront for sheds. Their use is primarily a shed use. There would be some ancillary office space and a retail component but the large majority of the space, over 200,000 square feet, would be storage and production facilities, leases that we're very familiar with executing and managing. We will look forward to having that relationship directly with Anchor.

The current proposal that we have been studying as part of our analysis of the deal had anticipated that Pier 48 investments would not come until phase four, so quite a bit down the road. This proposal, this use that we're now looking at with Anchor Brewing, could easily or could definitely accelerate those expenditures earlier in the process. That could change the overall project financial dynamics, which we would look forward to reporting to you going forward.

Jonathan Stern, Port Planning Development staff - Phil has talked about the project. He's talked about the term sheet, which are the various agreements that we have in place to move forward through entitlements through to binding DDAs and other agreements. We thought it was important to tell you what we've been trying to accomplish at Port staff under the Commission's direction, and what we think the financial results will be.

There are two parts, two stories we need to tell about the capital needs of the project and the site, that you just saw, and how much that's going to cost and how we're going to fund it, and then what we think the outcomes are going to be in terms of rent. This has been viewed as a revenue opportunity site. It's no longer directly needed for Port maritime purposes. It's been very lucrative just in its form as a parking lot. We see this, especially as Mission Bay has grown up around the site, as a great opportunity to bring more and more certain revenues to the Port for the long, long term, and also benefit the city and the waterfront edge through public benefits to the public.

The principle here is to maximize the Port revenue opportunities of the site. This, in a development process, means taking on certain risks but trying to create a structure where we're sharing that risk, sharing it in such a way that we do get those opportunities.

First, I wanted to point out that one of the main ways we're doing this, taking a little bit of development risk but also trying to reap the maximum benefit, is we're pricing the land, the finished parcels after entitlement and infrastructure has been provided, that usually that's a ready-to-go pad or parcel. It should create the maximum value. This is subject to market timing risk, which is something we need to consider but we're not trying to set the value now. We're not trying to speculate into its exact value. We're trying to create maximum opportunity for the Port to get that value. A deal normally would involve an early sale or option, or some strike prices. That's not the structure that we've actually put forward.

Some other principles are for the Port to continue to have participation in these sites. These are going to be very long leases. These are 75-year opportunities. We know from experience that the current use makes a lot of money. It will grow over time but it doesn't have this time to create large new economic opportunities, both for the private community through development, and to share in those as a city agency. That's one of the main reasons we're trying to do this.

Before I move on to Port rent and some more specific analysis of that, I wanted to talk a little bit about some numbers behind what we think the infrastructure and costs will be, and the sources and uses of funds. To get this project done right now, when we look at the project pro forma analysis, what we think the most likely outcome will be, it looks like there's going to be $100 million of development equity that is going to be needed to get the project done. This is a lot of at-risk money. About $15 million or $20 million of that will happen in the predevelopment phase. That's very risky money.

As Phil pointed out, we have negotiated what we believe to be a market rate of return on that development capital. They will provide some of the upfront money. There will be other sources of funding that will partially pay directly some of the infrastructure and site development costs, and partially reimburse the developer, reimburse their equity and return on their equity. We're talking about project uses, on the use side of what we're actually building, of about $125-154 million. With this announcement of Anchor, we pegged the total infrastructure price for the project of about $154 million. That involved quite a bit of developer money or public bond money that would go into fixing up Pier 48.

One of the reasons that Anchor is very exciting, and their desire to both accelerate the process and use it as a long-term industrial use, is that could lower the overall price of reusing Pier 48 potentially, and also bring other sources of end user sources to doing any of the work that does need to happen. That's why we're showing $154 on our pro forma analysis. In the staff report, we talked about $125-126 million, that's what we're considering the project infrastructure. Then we have to return money to the developer, and there is some developer return for that risk capital.

This is the overall capital side. The idea is that that will unlock the value of the parcel. The development rights payments are upfront lease payments that will also help reimburse and pay for infrastructure. On the pro forma, we're showing that around $50 million. The rest of that money will go into Port rents.

This is a very important point about how we're viewing this as an opportunity site, those developers are afforded a market rate of return. We're offering them a form of participation once we've reached what we believe is a fair and lofty benchmark of $4.5 million of rent for the site. We want them to have incentives for us to get that amount of money and more.

After that, all the value of the site will come back to the Port in the form of base and participation rents on those created parcels. That's very important how we're trying to structure this. Currently, as Phil mentioned, we earn about $3.5 million on the site. Only about $2.4 million of that is guaranteed, but parking has been pretty reliable. That was one of the driving factors that led us to the $3.5 million reserve rent. That's sort of a do-no-harm, worst-case outcome. On pro forma, when we looked at the valuations of the current development opportunities that are created, looked at the rates of return that we negotiated, looked at the timing we expect, and all of the other factors that go into development, we believe that we can, by 2022, have $4.5 million of base rent to the Port in the eight parcels that will collect rent. We think that's a good outcome. We also believe that those rent structures will grow with participation rent and those resets.

This is roughly the numbers, in graphic form, of those 75 plus years of the project, how we think those rents will be parlayed. We're only showing about the first 35 on this graph but this gives you a sense how the blue lines, which is the interim money from interim parking, will decrease as the various parcels are taken down. Base rent will come back in its place by 2020 or so, that we will

have a new base rent level of $4.5 million. At some point shortly thereafter, participation rents will start growing behind them, and will trend upwards as economic activity increases on those sites. Every ten years, the participation rents will largely be converted to base rent. That's where the red lines start going up.

What does this all mean? On a net present value basis, which is not necessarily the best metric for a 75-year ground lease with ongoing participation, we're looking at approximately $130-135 million of net present value from this pro forma analysis, that exceeds the $100-106 million of net present value of the current parking uses. The ongoing leases and participation in those leases will provide, through the length of those leases, a very good continuing revenue source to the Port, and will grow in a way that perhaps surface parking will not in the long run.

The other thing to point out is there is Port rent, which is just discussed but one of the other important points, which Mike and Phil both mentioned, is that there is tax increment through an IFD district that can be afforded to this project. We're talking about over $1 billion of tax increment will be generated over the lifetime of this project.

In the frontend, that would be used to help support some of this public infrastructure. We'll explore public bonding mechanisms, using both this IFD tax increment, and backed up by special taxes in the Mello-Roos or CFD district. That's an important funding source that we've described. These will specifically be used to develop the public portions of the project, both infrastructure and public amenities and parks.

Finally, we talked a lot about numbers and revenues. I wanted to just touch briefly on development risks. The staff report goes into some detail about that, and I believe Phil has done a good job of pointing out some of these risks, and how we've mitigated them throughout. One is entitlement risk. That's a really important one because what eventually ends up getting approved for development here will affect both what can be built here, obviously, but also the residual land value to the Port.

I pegged the development cost infrastructure of $125-$150 million. That won't go down dramatically, even if the overall heights and uses do go down. The Port is specifically vulnerable to this entitlement risk process. That's one of the reasons we've been so cautious and trying to urge our development partners, who've been very good about it, going to the public and trying to get as broad of consensus as possible on what can be built here.

The next is financing risk. We're offering them a market rate of return. If the timing doesn't go right, or if the costs are higher, there is definitely risk that we will be in a position that that money will be out there for a longer period of time. That 20 percent market rate of return, that's a lot of risk for the Port. It's one of the reasons we're recommending to the Port Commission the structure with lead

parcels that are transferred early, and one of the reasons we've negotiated a cap in terms of the overall development returns that the developer can go for.

We've inspected closely the infrastructure numbers here. I told you a little bit about what's Pier 48 numbers versus infrastructure numbers. We've also had both the infrastructure planning and the costing verified by a third party, and we think it's very close to accurate. Obviously there's always cost risk, but we've done our best, to this point, to bracket that risk.

We talked about market risk. We are willing to take market risk. We're recommending taking market risks in this case to develop the revenue opportunities. That's specifically about pricing it as fully entitled parcel opportunities later. However, we don't know what that later market is going to look like. That maximizes the theoretical value, but we're taking some market risk between here and entitlement.

Finally, counterparty risk and operating risk, which are very closely related. These are long-term ground leases. Whenever we enter into these long-term ground leases, we have to know we have a good partner on the other side of the deal, and that can change over a full 75-year period. That's sort of inherent in our leasing model. On the counterparty risk, we've been working with this developer for a number of years, since 2008-2009. As Michael alluded, they've been a very good corporate citizen and a very good partner to come to this deal structure.

Phil Williamson - To sum up, we believe this is a unique opportunity at this wonderful location, and we believe we have the right project before you today. It's going to improve over the next several months and years, if you go through the entitlement process. It has improved since it was first proposed back in the RFP era. We have a great partner, we have a good team, and we're very excited to move forward.

We couldn't have asked for a better location. We think that is going to take advantage of the market, and the market's going to reflect the value the site has, given its location, and given that it's the first piece of large development land now, as you head out from the city's financial center. The public benefits it's going to bring. As mentioned, the land use program is diverse. It is robust. A lot of great thinking has gone into how to make this site work, what is the right mix of uses of retail, of open space, how those all interrelate. The work we've done is amazing. I think it's going to even get better as we get closer to actually building something here. The progress to date is very heartening.

Next steps, as mentioned earlier, we would come back to you with a request for endorsement of the term sheet that you've seen today. Following that, we would proceed to the budget analysts for the Board and the Board, to seek their endorsement as well. We anticipate that happening in April. With an approved term sheet, with an endorsed term sheet, we formally end phase one of the ENA, and we would begin phase two, the entitlement phase. EIR scoping would

commence. More robust and detailed discussions with our regulatory partners would ensue. We would start checking the boxes and going through the entitlement process to get to a development agreement, and the lease transaction documents I mentioned earlier.

That concludes our presentation. We want to thank you for your time, and are available if you have any questions. the developer is here as well. Mission Rock is represented by Jack Bair, Fran Weld and John Knorpp, and some of their team is in the audience as well.

Commissioner Woo Ho - Thank you Phil, Mike and Jonathan. That was a very comprehensive presentation.

Cameron Kramlich - I'm fortunate to be a native San Franciscan who spent his entire lifetime playing at Crissy Field, biking along the Embarcadero, and kayaking in the Bay. I very much hope that my children will enjoy similar opportunities to live in the greatest city in the world. San Francisco has a housing supply crisis, which has driven the majority of my childhood friends to the suburbs and to other states. My wife and I live in San Francisco's Dog Patch neighborhood, Potrero Hill, where we enthusiastically support the efforts of San Francisco Giants and SWL 337 Associates to improve quality of life by simultaneously creating significant open space, and increasing the supply of housing in our neighborhood. Our only hesitation to the plan is that it might not include sufficient supply of parking for both cars and bicycles. Please consider this very thoughtful proposal to improve the city and make life better for all of us.

Corinne Woods, Co-Chair of the Port's Central Waterfront Advisory Group - We've been working with the Giants on this project for a long time. But it's not nearly as long as the time that I've spent working on the Mission Bay development. I've been working on that for about 20 years now. There are a lot of lessons learned in Mission Bay that we can apply to this project, and I hope that we do. I've been asked by my Co-Chair, Toby Levine, who couldn't be here today, to talk about three major issues, one of which is the staff report and the term sheet call out creating a vibrant and unique mixed-use urban neighborhood focused on a major new public open space at the water's edge. But the phasing diagram shows that that park doesn't get built until phase two of the project. We think it's very important to move up the creation of at least a portion of China Basin Park because it's important to have not just adjacency as criteria for open space, but also going along with the vertical development. It makes a much more attractive project if we can get at least a portion of that bay front park, which is the focus of this development, built early. The second issue is the heights. There has been a lot of discussion about how Mission Bay is squat and really ugly, with a maximum 160-foot height level. I'm not saying that we should go back to the Mission Bay height because I agree, it's squat but I think that a maximum range of between 220 and 280 feet would be more acceptable and more appropriate next to Mission Bay than the 320 to 380-foot levels, particularly on parcels A and F.

The third thing that we wanted to talk about is that the original plan for Pier 48 included quite a bit of publically oriented space, public assembly space that was very much focused toward the water. $30 million is a lot to spend on seismic upgrades for public assembly. I totally get why having Anchor as a tenant is a good thing, because we don't have to spend that seismic money. It's important to replace that public assembly space somewhere in the development, and create a public orientation, not just in the parks. This is going to be a big, big project and coordination of infrastructure, nothing gets done just in time in San Francisco. We've been waiting a year for one intersection to open. It's been done that long. Make sure that you've got your money spent and allocated. A solid design for development is very important.

Commissioner Katz - I think it's exciting to see this project move forward. I want to thank all of you for your wonderful presentation, and the tremendous amount of time that has gone into getting us to this point. I'm also excited by the focus on a much more diverse and vibrant neighborhood. I, too, am a little not concerned, but I would like to see something that's not as boxy as we may have seen come through in Mission Bay. I'm pleased that there's been thought put into that as well. I also want to thank the Giants for their commitment to the city. I know this will be in their backyard, but it does reflect a commitment to being more than just one tenant here, but having a long-term relationship with the city. I thank them for that.

I had one question, something I didn't quite understand on the presentation, page 21, on the developer return. Perhaps if you wouldn't mind explaining how that calculation might look at the 20 percent annual return versus the one and a half times peak equity. Is that just one payment, or how does that work?

Phil Williamson - It serves to kind of bracket the return. At a certain amount of expenditure, the maximum payment would be 1.5 times that amount, or 20 percent. It's the greater of those two, as kind of an outside point, outside amount. As mentioned below that, there is a potential that the revenue sources that we've identified to perform that task might be insufficient. If that's the case, we have a shortfall, which is discussed at the bottom of this page. We've come up with an approach to that shortfall, which I think is reasonable. It still protects the Port on the outside, but it does provide some additional return over an additional period of time, a 2x multiple, if you will, versus 1.5.

Jonathan Stern - I just wanted to point out specifically about this multiple. When we were negotiating what is a market rate of return these days, we found a couple things. One is risk and reward is priced a little more steeply than it used to be. It used to be pretty flat before the financial crisis. That's number one.

Number two is that an IRR or even a 20 percent rate of return partially depends not just on the rate and the IRR or other sort of financial engineering metrics, but how much money are you going to actually get out of an investment? One of the things we're hearing from various financial markets is we don't just want to be in

it for a theoretical percentage rate of return, but we want to know if we invest a dollar, how much are we going to get back?

Certain promises now are if you invest a million dollars, that the very minimum you'll get back a million and a half dollars, whether it's at 18 percent, 20 percent, 22, whatever that is. They're using this dual metric system. 1.5 percent really means you get your money out in four to five years. It matches the relatively short development cycles.

In some ways, we didn't think that this measure was that much of a burden to have this dual measure because if it happens any slower than that, they'll naturally get a 1.5 multiple in the course of getting this market rate of return as 20 percent. If we do end up having shorter development cycles, that's generally a benefit. That usually means a hot market and there's more money going around.

If we ended up paying a slight premium for a developer that's really performing in that hot market, we actually thought that was an acceptable incentive system. The same way that we are trying to maximize our revenues and change the risk profile, we felt like we had to offer some incentives to do that.

Commissioner Brandon - I'm happy that we're at this point, and I really can't believe that it's taken six years to get here but it's finally right in front of us. I want to thank everyone who has worked on this project because it has been a long way in coming. It's been a very exciting project, and I can't wait for the groundbreaking. I think Corinne made some very good points, and I don't think we did a really good job on discussing the open space. On slide six, in the conceptual schedule, it's not really clear where the open space is phased into the project. Perhaps we could just spend a couple minutes on open space, because I think that's a huge part of this project.

Phil Williamson - There is a slide that I don't have handy that's part of the term sheet. If you look at the term sheet attached to this staff report, there's exhibit C, which is a phasing diagram that shows basically four phases of development. It overlays those phases on this map, on this drawing.

As Corinne mentioned, the large park, China Basin Park, is in phase two. I believe Mission Rock Square Park is in phase three. Those are the two prime parks. Of course, you know that there's already a park and it's going to be much better. There's already a park on the shoreline that serves a purpose, but it's going to be improved greatly. Corinne's point about seeing what can be done to enhance that experience before the full build out of China Basin Park is worth looking at.

Commissioner Brandon - If there's any way we can get the open space going earlier, it will be wonderful because it's so beautiful. Who wants to wait another six to ten years? I want to congratulate the Port, the city, and Mission Rock Development for working together. This may be one of our first projects where

the city is also invested with us in this project, and it's absolutely great. All the projects that are coming after this one, I think it's absolutely wonderful that we have city staff working alongside with the Port staff to pull these projects off. I really want to congratulate everybody on that. Will there be HRC goals assigned to this?

Phil Williamson - Yes. The team has been meeting with HRC probably for three years. We've had very productive discussions with HRC. We've worked with staff. They have staff at the Port as well that we've been able to interface with on a regular basis on this project. We had some communication with HRC on a letter that states some of the goals that we're trying to achieve. There is concurrence on achieving those goals. We look forward to continuing that discussion as the project takes shape and there's some meat on the bones. We've already begun a very healthy dialogue with HRC.

Commissioner Katz - As we heard some fabulous numbers at our ribbon cutting this morning. Perhaps that might be what Commissioner Brandon might be alluding to, it's not just the goals but perhaps exceeding them as we did at the Cruise Terminal.

Phil Williamson – It's definitely a good goal.

Commissioner Brandon - What part of the project will those goals be established?

Phil Williamson - We have a letter we've exchanged with HRC approximately a year ago, which we can provide to you. The number escapes me right now. There is an agreed upon target in that letter. I just don't want to misstate it, but we can share it with you after this meeting.

Commissioner Brandon - I'm sure you'll have it before the next meeting.

Commissioner Woo Ho - I would like to echo my fellow Commissioners' comments but I think they have said a lot of very important things about how much work has gone into this, and how comprehensive and how excited we are, and we are very happy with the partners that we have.

I do have a couple questions and clarifications to ask. Part of what we tried to do here, as we are guaranteeing a return to the developer, we're also trying to figure out ways how to pay off that equity as fast as possible. It's great for the Giants, but it's a tremendous cost to the Port, the 20 percent. My question is related to financing risk. Number one, the IFD, while we're sort of assuming that's going to happen, I want to know what the backup is. If we have trouble raising $140 million, what is the backup plan?

Phil Williamson - The IFD policy is currently taking shape. I believe you've seen an informational presentation in October.

Commissioner Woo Ho - I understand it. I'm just saying, what if?

Brad Benson, Special Projects Manager - The IFD policy that Port staff presented to the Commission went through the City's Capital Planning Committee in December, and was endorsed by the Capital Planning Committee with a recommendation to the Board of Supervisors. Port staff has been coordinating with the Mayor's Office to get the Board of Supervisors resolution endorsing that policy, introduced with some co-sponsors among the Board. We're hoping that will happen in the coming weeks, and that the Board will be able to consider that IFD policy prior to the term sheet going up for Board's consideration.

The project and the project finances, the entire negotiation, is predicated on the ability of the project to capture 65 cents of every dollar of property tax that is generated. It's the entire local share. Without that financing tool, we're not going to be able to fund the infrastructure required for the project. It really is a predicate of the project.

Commissioner Woo Ho - I understand that entirely. Sometimes, as we've seen in the last few years, not because of us but because of markets and other conditions, that we can't predict if there's problems. I'm asking about the backup plan.

Brad Benson - That's a good question. The other public financing tool that is a component of the project is the Mello-Roos community facilities district financing tool. It allows the establishment of special taxes that would be levied on each of the parcels in the development and that can add some incremental value to be able to fund infrastructure. The effect of that, however, is that if you levy special taxes on the development parcels, you'll have a corresponding decrease in the long-term value of the parcels. There will be an impact on the finances of the project but that would be the most obvious backup plan to the IFD.

Commissioner Woo Ho - I think we always have to consider what the downside risks are. Not that I would like to see it happen, and not that I'm saying that you haven't but it's something that we have to worry about.

Mike Martin, OEWD - I wanted to amplify that a little bit. Part of what we saw in past years has been, for example, the public finance markets seizing up. We have these funding mechanisms where we have a tax stream or an increment stream, and we don't have a way to monetize that in a way that, as you brought up in your original question, would stop the 20 percent clock from ticking.

What we've crafted in the term sheet is something where at each phase, we, together with the developer, look ahead and say, "How are we going to finance the infrastructure for this chunk of the development, this bundle of three or four leases, or two or three leases?" If at that point it looks like the debt markets aren't going to be there, we can adjust our development rights payments approach so there's more upfront money coming in, so that we use that cash

payment to pay off the infrastructure or we have also reserved the discretion to find other public financing sources. If there are certain types of debt issuances that are more well-established than increment would be such as a Port revenue bond or a city COP, not that we have to do any of those things, but we can have that conversation. By having this phased process, where at each stage we look around to each other and say, "How is this going to work?" I think that's how we address part of the risk. Ultimately, we have to be managing on a day-to-day basis going forward through the built out to make sure that works.

Commissioner Woo Ho – Thank you, that's very helpful. I wanted to understand in that chart that has the 15 percent or whatever the rent periods are; I believe Pier 48 is not in that rental stream, is that correct? We're talking about Seawall Lot 337, is that correct?

Jonathan Stern: That's correct.

Commissioner Woo Ho - The other revenue stream that I think was not captured is the transfer fees, the developer fees are not captured. For the final presentation, we would like to see how you capture all the revenues that we're going to see throughout the life of this project so that we have a better understanding. Because when I looked at it, I felt like, "I think this is not all that we're going to get."

Jonathan Stern - Thank you for that point and that catch. We were trying to isolate Seawall Lot 337 in this graphic. The one point is so far, to be conservative, we're not showing a definite income stream from those refinances or sales because they're uncertain events. We don't control them. When they do happen, we've estimate that they'll bring in on the order of half a million to a million dollars per event.

Commissioner Woo Ho - Per event, per what frequency?

Jonathan Stern – Per event, per parcel.

Commissioner Woo Ho - So eight parcels times..

Jonathan Stern – It depends how much the turn over.

Commissioner Woo Ho - We're asking you to use your best estimate and judgment.

Jonathan Stern - We will create an estimate.

Commissioner Woo Ho - I understand it's a guess; it's a forecast. We're not holding you to it. We just want to get the full picture. I understand that we haven't actually negotiated any specifics for Pier 48. If we sort of use what we normally use within our parameter rents, etc., if we could get a feel for the entire revenue picture because this is just the rent picture that would help us understand

because we're saying we're unlocking land value, etc. It would help us to understand that. On the land value, Elaine knows this is my favorite question. Because we're not selling the land, but we are increasing the land value, how is it going to be reflected on the balance sheet?

Elaine Forbes, Deputy Director of Finance and Administration - The fiscal officer and I will be working on it. In general, private investment that we don't control, the rates or rents, charges, etc. do not appear on the balance sheet. However, the investment in the infrastructure will. That's an initial response but we'll be analyzing this in more detail for its implication on the balance sheet.

Commissioner Woo Ho - So at least $150 million worth of infrastructure cost will be added to the balance sheet. That makes a lot of sense. We'd like to push for more than that, but at least that's the minimum, right?

Elaine Forbes - I believe that's correct.

Commissioner Woo Ho - As each parcel comes up and we have a different vertical developer that comes in, obviously the master leases with the Giants for 75 years, the Giants may cooperate with the vertical developer. There may be a totally separate vertical developer. The relationship at that point, as far as the lease is concerned, is more complicated with the Giants and whoever the vertical developer is. Can somebody explain that a little bit more?

Phil Williamson - The master lease, as you correctly state, is between the Port and the Giants, Mission Rock 337, LLC. Going forward, each individual parcel could be between the Port and the Giants, or an entity of the Giants, not the same LLC, but a separate LLC, more than likely. Should they not exercise the option to take one of those parcels, then we would go and seek a third-party vertical developer for a direct relationship with the Port. The Port would have direct leases with each developer, whether that's some variation of the Giants or a third-party separate entity altogether. For instance, that could also be the case that Pier 48 could very well be a direct lease between the Port and Anchor Steam for that long-term lease.

Commissioner Woo Ho - You mentioned the jobs and everything else that will be created but it would be great for us to see what the benefit to the city entirely in terms of property tax revenue, and all the things that we should see in terms of the big picture, besides the Port, financial picture because that gives us a better sense of what this is doing for the neighborhood and for the city overall. Even though it's not all coming into the Harbor Fund, but we should know what we're doing for the entire city. If we could see all the other benefits, such as property taxes as I'm sure there are some other things that you can come up with in terms of what we expect to see of the benefits of this project to the city.

Phil Williamson - What you'll see at your next meeting, if not before, is a copy of the fiscal feasibility report, which goes into great detail on all those different

costs to the city and benefits to the city on jobs, cost for policing the site, and all those different issues are covered in that report.

Commissioner Woo Ho - As Commissioner Brandon indicated, I wasn't here for the entire six years. I've had a very accelerated course with this but it's been a marvelous process and development. I know it's been a little slow for some of our stakeholders and partners but we have arrived, and we're going to move forward. That's very exciting. On behalf of the Commission, we commend you all for all the hard work.

I also want to say that we know that the model that we have put together for this project is new, different than what the Port has done before. It's precedent-setting, and it is a model that may not apply exactly the same to all of our other future projects. It's very important that we set this project on the right foundation so that as we go forward with some of the other projects that are coming down the road, that we have a really good guidepost on how we're thinking about development, both in the short term and in the long term. We want to thank the Giants for working with us on this, as well as the Port staff. The relationship with the Mayor's Office has turned out very well, and we're very pleased to see that.

Phil Williamson - Thank you very much, and thank you for your continued guidance on this project.

12. FINANCE & ADMINISTRATION

A. Informational presentation on the Port's Five-Year Financial Plan for Fiscal Years 2013-14 through 2017-18.

Elaine Forbes, Deputy Director of Finance and Administrator - The reason for this informational item is to provide you a high-level look at the Port's five-year financial forecast, so you can guide our financial decisions, leveraging opportunities and managing risks. Consistent with Proposition A, which voters approved on November 3, 2009, the city and the county now prepared a five-year financial forecast every odd fiscal year. The city prepared its first plan in the spring of 2011. Last year, the Port prepared an informational update for the Commission to help provide insights to the America's Cup and other major development opportunities along the waterfront.

Now this financial plan update is being included in the city's chapter, its second financial forecast, and will be introduced to the Board of Supervisors in March. Ms. Meghan Wallace, the Port's Budget Manager, will take you through the presentation today. As Megan will show, the financial forecast identifies strong revenue growth, five percent averaging per year that is not outpaced by expenditure growth in the operating budget, which has an average of three percent per year. This allows operating surpluses to be designated to capital. This expands and stabilizes our capital budget, and meets the Port's capital policy to allocate 20 percent of the operating revenues each year to the plan.

The forecast does identify opportunities and risks that the Port should consider moving forward. One such opportunity is the re-leasing of former America's Cup venue sites. Another opportunity and risk is related to the timing and scale of development. Near-term or in some instances long-term reductions to operating revenues directly impact our capital repair and replacement budget. This must be balanced against the opportunity to attract private investment, reduce capital liability, and extend the life of Port assets. The timing is important, as well as the scale of development.

The Commission should also be aware that the financial forecast assumes that the capital budget will meet our basic needs and fund repair of facilities, such as Wharf J9, 29, 92 aprons, etc. so that these facilities continue to be safe and in operational use .If there are unforeseen spending requirements whether environmental, that require immediate corrective action, or unfunded requirements for public benefits, this could force tradeoff decisions with the capital budget.

The Port Commission has done excellent work guiding our financial position with strong fiscal policies, and in directing very limited precious resources to the waterfront safe enjoyment and improvement. Just this morning, Port staff did receive confirmation that affirmed our credit A rating with a stable outlook. Fitch just finished its review in connection with our 36 million series, 2000A and 2000B bonds. The Port notes our stable debt structure, strong financial profile and policies, great location, and diverse revenue streams. Of course, the rating sensitivity continues to be that we have not identified a complete solution to our long overdue deferred maintenance in our capital.

With continued financial stewardship and with creative thinking, the Port will create partnerships and leverage funding sources to develop a more complete solution to our backlog.

Meghan Wallace, Budget Manager for the Port - This morning I was at the DMV, and I was reminded of my Driver's Ed training, where I was taught that when you're driving, it's really important to actually look out on the horizon. It's good to know what's immediately ahead of you, but you want to know if you're going to the right direction and if there are any hazards you want to avoid.

Likewise, with our financial forecasting, this financial plan provides a really important opportunity for the Port to understand if we're going in the direction that we want to, and if there are any major changes that we should be making as we move forward. Are there expenditure changes to adjust how our revenues are looking? Today I'm going to discuss our five-year outlook and give you an overview of our roadmap, and hopefully help you feel more confident in giving us direction on any tweaks that need to be made moving forward.

First I want to look at where we're heading. Earlier this year, Executive Director Moyer actually had a kickoff meeting to look at our future strategic goals. As part of the city's five-year financial plan, each department has a section that details

some of those goals. These are the goals that were actually included in that plan. The five-year financial plan is going to play an important role as a tool as part of our future strategic planning process. These aren't in particular order, but I want to walk through them quickly.

The first goal is to preserve industrial and commercial maritime tenants and uses. One intent of this was to particularly look at the southern waterfront and think about how we're using that space for maritime, and thinking ahead about what we need to do to strategically use that space to its best capacity.

The next goal, redevelop and rehabilitate infrastructure is about reconnecting the public to the waterfront and improving the economic value of that land. It seems like so much of what we do and talk about in the capital plan is about this particular goal.

Next, preserve sufficient space for PDR, which is production, distribution, and repair, as well as for non-profit entities. The Port is a unique space for this type of land use, and we need to capitalize upon it, and particularly think about how we can use the space for supporting blue collar jobs, and attracting industry, like cargo.

The Port should lead a city effort to rebuild the seawall, and adapt the Port waterfront to sea level rise. We keep seeing study after study about how the sea level is rising. After seeing what happened in New York and New Jersey after Hurricane Sandy, it really hits home with everybody. If we don't take care of this infrastructure that the Port is maintaining, that we could potentially face some problems. It's a city-wide endeavor, so the Port wants to engage the rest of the city in that effort.

Finally, planning and implementing a stable financial future. I think you know why I put this one last, because it kicks off into the rest of my presentation. This goal resonates to all parts of the Port, not just the finance and administration division.

On that note, I want to talk about the details in the plan. What does our roadmap look like? I want to give an overview rather than go into too many of the details of the financial plan. First off, we met our policy requirements of having a 15 percent operating reserve for each year of the plan. Unlike the plan last year, we now actually meet our capital policy, which, as you'll recall, requires us to designate at least 20 percent of our operating revenues towards capital.

Generally, relative to the prior plan, you'll see that our funding sources have improved. Our operating expenditures have remained relatively steady but that combination of having consistent expenditures but growing revenues means that we actually have more money to put away into designating towards future capital. We're no longer required to cut operating expenditures in order to meet that capital policy. That's an improvement over the plan that you saw last year.

Last year we saw three percent growth. Now we're looking at six percent growth in our operating revenues. It sure looks nice on a graph, I have to say. Some of the key drivers, in addition to just a strong economic climate, seeing positive revenues in maritime and real estate particularly, we have assumptions about re-leasing the America's Cup venues after the event Beginning as soon as fiscal year 2013-14, we're going to start re-leasing those properties. It's important to think about how we're going to do that, and try to fill that space with its highest and best use.

Additionally, with the James R. Herman Cruise Terminal, we are excited about having special events in that site. We're talking about America's Cup as being the first of those great events that are going to be happening.

The plan does assume that we're going to have a passenger facility charge. This is going to be for all cruise passengers coming to the Port, and it's a critical component of funding the James R. Herman Cruise Terminal project. We'll be coming back to you in a few weeks to talk more about that but the plan assumes 900,000 per year from that facility charge.

The real change to our funding sources is in fund balance. It increased by two percent, as a result of the improved revenues, and then designating funds to future capital. What does it mean to build our fund balance? What funds are we putting away towards capital? What this diagram is intending to show is the Port's budget. You'll see the first year of our various sources; our operating revenue surplus is then put into a designation towards capital.

It's kind of a savings plan that, at the end of the year, once those revenues are realized, it then falls to fund balance. It's money that's available for use in the next fiscal year. In the second year, our sources, that fund balance actually then contains the funds that were put away in the prior year. That money is then used to meet our 15 percent operating reserve, and the remainder is spent on our capital budget. I hope you'll look at this, and hopefully this helps you digest it. I've been talking about this for a long time, and I finally figured out a good way to show it, so hopefully it helps you.

Speaking of capital expenditures, this shows how our expenditures have improved. Last year we thought that we were going to have a $9.6 million average in capital. Now we're looking at $12.1 million. You'll see that in fiscal year 2012-13 it's a little bit low that's because we spent all of our money in the prior year on America's Cup infrastructure and the Cruise Terminal project.

For 2013-14, fund balance has been replenished because in this current fiscal year, we're looking at a healthy year-end balance of money through surplus revenues and savings to expenditures. We're going to spend that money in fiscal year 2013 but that eats up our fund balance. You'll see it dips back down. Then from the years onward, it's being replenished through that growth in operating revenues and designating funds to future capital.

I want to highlight how our operating expenditures have really remained consistent through the plans. The basic assumptions that have carried through both years were that most of our operating expenditures were going to grow at about three percent. The real drivers for growth in both plans were health and retirement expenses and debt service. Health and retirement expenses were given to us by the Controller's Office, so it's assumed citywide in the citywide five-year financial plan. Debt service will be issuing new debt for the James R. Herman Cruise Terminal.

The things that weren't included in the main body of the plan, but as you'll note, they were highlighted in our staff report as major considerations, were the Warriors Arena, Giants development, 8 Washington, and the potential for the 35th America's Cup successive defense. First of all, the Warriors Arena highlights tradeoffs beginning in the first year that we would be losing revenue would be in 2014-15 around $2 million per year across the plan. The benefit would be being able to take that deferred maintenance out of our capital plan even though you have to weigh those pros and cons.

The Giants development, consistent with the presentation you just saw, there's actually a dip in our revenue. We lose revenue one year, but then it actually builds back up once the development comes online.

8 Washington, this is very much uncertain at this point. It would only be exhibited in the plan in the last year, fiscal year 2017-18. It would be a huge benefit to the Port and our ability to fund capital.

The America's Cup successive defense, we just assumed a similar footprint to what we are currently using for America's Cup, and applied parameter rents to that, and found that we could lose up to $6 million per year if we brought the America's Cup back to San Francisco. We'd really need to consider what type of arrangements we would want to make with the city, of making sure that the Port is made whole during those years.

Some other considerations are the environmental and regulatory risks. The environmental risks are taken in hand with land ownership of such an urban industrial setting. That, along with regulatory risks, has all been incorporated into the plan, but highlight just if there are any unknowns that do pop up, they have real potential for financial impact on the Port, and would require tradeoffs in our capital and operating budgets in order to meet these requirements.

Next steps - The citywide plan is going to forward to the Board of Supervisors on March 1, 2013. The Board of Supervisors will approve the plan by this summer. Just on an ongoing basis here at the Port, as we, through the leadership of Executive Director Moyer, move forward with our strategic planning process, this financial planning tool is going to play an important part in that discussion, and laying out really it is that we want to go, and what adjustments need to be made to get us there.

Commissioner Brandon - You did a great job. I love this presentation. It was really easy to follow, so thank you so much.

Commissioner Katz - I agree. It really was very helpful. I think we've probably covered most of these issues, but I'll put you on the spot. Going back to earlier, referencing strategic goals, are there any other additional recommendations you might have for us to consider as we move forward, now that you've looked at the entire stream?

Meghan Wallace - Since I share an office with our finance analyst, Larry Brown, I am fully supportive of funding as many capital projects as possible. My priorities are consistent with everybody else's as far as wanting to preserve revenues in order to be able to continue to invest more in capital. It's that challenge of balancing taking properties offline in order to allow for larger developments, like at Piers 30-32, in exchange for being able to reduce liabilities in our capital plan, for example. I recognize the challenges that we've all been discussing.

Commissioner Katz – At the last meeting, I had asked if there's some way we would quantify the benefits that come back to us for some of the capital expenditures. I know that's a hard one to do, but I'll reiterate that I'm hopeful we'll do that. With the 35th America's Cup successive defense, in terms of estimating the $6 million lost revenue, what would that be based on?

Meghan Wallace - Nate Cruz from the real estate division helped with that analysis. We just assumed a generic layout of properties. We didn't assume the same venues, just the square footage of the venues from this event, and applied that square footage to the parameter rent to calculate about $6 million in 2017-18.

Commissioner Woo Ho - That was assuming that they get some sort of flat rate versus what you would normally charge, market rate?

Meghan Wallace - That's right. We didn't make any assumptions about the particular quality of the venues that they might be negotiating to use.

Commissioner - The message would be, if there was going to be another MOU, that maybe we would argue for something that was closer to what we think is more equivalent to market rent since it's been so difficult to get anything out of anybody for America's Cup. We know now exactly how difficult it is, so it doesn't look like third parties come to the rescue on anything. 1

Meghan Wallace - That's right. An important note about that is the current agreement doesn't assume the Cruise Terminal footprint because that facility was already offline but the $6 million assumes a similar footprint as the Cruise Terminal, which is why the cost would be so much more. It would be like taking the Cruise Terminal offline.

Commissioner Katz - On some levels, could we maybe flip it around though and say that we've already fixed up a lot of the sites that might be of interest? So on the other hand, it may be that we could come up with ways of increasing their revenue to us, given that the cost of fixing up some of these sites is now diminished.

Meghan Wallace - That's an exciting part of looking at our re-leasing opportunities. There's a lot of discussion going on with staff as to what opportunities to pursue at any of those venues.

Commissioner Woo Ho - It's great to see the more optimistic forecast from last year. We can agree it's a combination of the fact that the economy's gotten better and that we're doing better as well, both in terms of the way we're operating ourselves, and it always helps when the market environment is also cooperating with you so you can make a 1+1=3 equation. You keep looking for those kinds of plus equations.

I did have a couple questions in terms of the cruise passenger facility charge. Is that going to be a per passenger charge that you calculate?

Meghan Wallace - That's right.

Commissioner Woo Ho - What would be the charge that you're thinking at this point? I know it hasn't been formulated, but what's the estimate at this point?

Meghan Wallace - It could be anywhere between three and five dollars. We're following a standard implemented in Seattle and San Diego. Each of those ports actually implemented charges to pay for a gangway, and for San Diego's Cruise Terminal. So for us, it's a matter of how long we want until the debt matures, and also that willingness to pay by customers but we've received positive feedback from the cruise lines, indicating that they didn't think that it would be a hindrance to passengers' decision to travel.

Commissioner Woo Ho - It depends on how they disclose it, whether it's part of the overall cruise fare or they actually outline it separately to the passengers. For three to five dollars for cruises, it's not something you're going to have a line item on your bill. It's almost like they could just wrap it in there. I would be aggressive on what you think.

Meghan Wallace - It's important to note that charge would retire once the debt was paid off. If there were concerns about that cost, that's an important piece of information that it's only to pay the cost of the infrastructure.

Commissioner Woo Ho - This morning, I roughly did a quick estimate. My number may not have been totally accurate saying that the cruise ship itself, cruises based on 80 calls that may be 25 percent of the time. What is the occupancy for the special events that you were assuming in this forecast for the remainder of the year for the terminal?

Meghan Wallace - I actually don't have that information. I had relied on the AECOM study, which had assumed $800,000 per year in revenue. I don't know the details of it. I took a haircut off of that, and the plan assumes $500,000 a year.

Commissioner Woo Ho - I guess we're getting the RFP responses back quickly from the two stevedoring companies. It'll be interesting to see what their thoughts are, whether that matches up with the study that you're taking about because it will be interesting to see how many days that we assume when the cruise terminal is not being utilized, what the rent will be. At least if we could judge from today, we even have the hostess with the mostest in the city getting excited, so hopefully we can assume that there will be some tremendous interest. We'll have to figure out how many days a year we think we can rent it out, and see what the rental will be. That will be very interesting to see. That number sounds like it's conservative at this point but it can be refined as we get more input on to it.

Meghan Wallace – That's correct.

Commissioner Woo Ho - On the real estate rents, there was a certain assumption that you made in terms of how the leases would be re-priced as they come up for renewal.

Meghan Wallace – Yes. Are you speaking specifically about the America's Cup venues?

Commissioner Woo Ho - No, I'm talking about just the real estate revenue that you obviously improved here. It's a combination of vacancy as well as rental. Since we've never talked about it here, hopefully at some point improve delinquency as well.

Meghan Wallace - Yes. I don't have those details, but it is based on real estate's analysis of how the market's currently looking, and the turnover and that sort of thing.

Commissioner Woo Ho - Basically if that's the case, I would say that this is probably still more on the conservative side, and we could still do better. I think we all understand what your assumptions are, and hopefully each time you come back you show us a more positive picture. You're absolutely right in the sense that the more revenue we can generate, the more we can manage to control our expenses at the level that we should, but knowing that we have to invest, the better off we are. It's the jaws effect. That's always a good indicator of the future. That's going to be positive. At some point, just trying to think outside of the box, what other revenue sources could possibly be in. We've talked about some of this just in brainstorming. It's hard for public properties, but naming opportunities across the waterfront, etc. These are things that we should be thinking about whether there are other sources of revenue that are not typical.

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Meghan Wallace - This is an off year with our budget but before we know it, we'll be beginning the next budget process. We can start thinking about those revenue options and build them into our next budget.

13. NEW BUSINESS

Monique Moyer - I left one person out earlier today, and that is Renee Martin, who has been doing a terrific job all along the way with all of our projects and communications with the public, but most especially thanks to her today for a great event.

Commissioner Woo Ho – I have one item on new business. Monique, you and I chatted about this. We heard it in some of the presentations earlier about the importance of understanding the waterfront transportation. You and I have had discussions about whether the Port needed to look at it more from a design standpoint up and along the waterfront. I'd like to request at some point that you come back and tell us how the Port could help Peter Albert a little bit more, because he's looking at surface transportation, public transit. While water is part of his picture, we have more of an interest to be more conscious and deliberate about planning that, and what can the Port do to accelerate and help in those efforts.

14. PUBLIC COMMENT

15. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

Port Commission President Woo Ho adjourned the meeting at 5:23 p.m.

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